



**IN THE TABLOID**  
**BRIDGET JONES:**  
**SAFE SEX IS**  
**BEYOND HER**



**COMMENT 23, BUSINESS 24, SPORT 32**  
**SWEET AND SOUR**  
**FOR SUGAR**



**IN THE TABLOID**  
**MEN'S FASHION:**  
**THE FUTURE IS**  
**COMFORTABLE**

## Revealed: Labour's scam

**Anthony Bevins**  
Political Editor

New Labour MPs have been asked by party officials to take part in an illegal "sting" to defraud the taxpayer of up to £500,000.

The Independent has been told that some new MPs elected in the 100 marginal seats targeted by Labour have been approached by party officials demanding a £5,000 "contribution" to help pay the salaries of full-time local political agents.

But the body-blow to Labour's anti-sleaze image came from the punchline proposal: that the MPs could get the cash from their £47,568

**MPs say they were threatened over supplying funds for party offices**

Office Costs Allowance – the tax-free allowance for MPs' parliamentary work.

Senior Labour MPs said last night that they were staggered that the party could get involved in such an operation when Tony Blair promised only last month, in the party election manifesto, "We will clean up politics."

The demands for "money with menaces" have come from regional party offices and in some cases from a senior official at Labour's national headquarters in Westminster. Expenses allowances are only paid – and financed by the taxpayer – on the

legal understanding that they are used exclusively for "office expenses incurred in connection with a Member's parliamentary duties".

On that same understanding, the payments are not taxed by the Inland Revenue. If the money was improperly claimed – for example, to be diverted to pay for the salary of a party political agent – both the Commons and Inland Revenue would be defrauded, with the taxpayer losing on both counts.

But The Independent was told that some new MPs were petrified by the request. One said it

amounted to "blackmail" – pay up, or else. The implicit threat was that if they did not play ball with the powerful party machine, they could face the risk of deselection as candidates for the next election – or, at the very least, "lose the love" of regional party officials.

Few of the MPs wanted to pay the money, and they will be delighted by today's Independent report – because it will force the party to repudiate the exercise as the work of naive and "over-zealous" officers; the customary escape clause from embarrassing gaffes.

However, while one MP conceded that the officials could be "wet behind the ears", another said the exercise could only have been mounted by party headquarters, and if the target was to raise £500,000 then it could only have been sanctioned at a very high level in the party.

"This is so clearly outside the rule, that in the post-Nolan era it is quite simply barmy," he said.

But the same MP conceded that MPs on both sides of the Commons were known to be exploiting a "grey area" of the Office Costs Allowance – making "contributions" towards the

costs of local party offices "for parliamentary purposes" when the money was effectively being used as a subsidy for party offices.

In the last Parliament, Tory Central Office ran an exercise to ask local constituency parties to get their MPs to make such payments as a means of cutting the party's overheads.

The Office Costs Allowance is supposed to be used for "the cost of equipment, and secretarial and research assistance", including office expenses like rent, heating and lighting bills, or even "an appropriate proportion of domestic costs where

an office is contained within the Member's home."

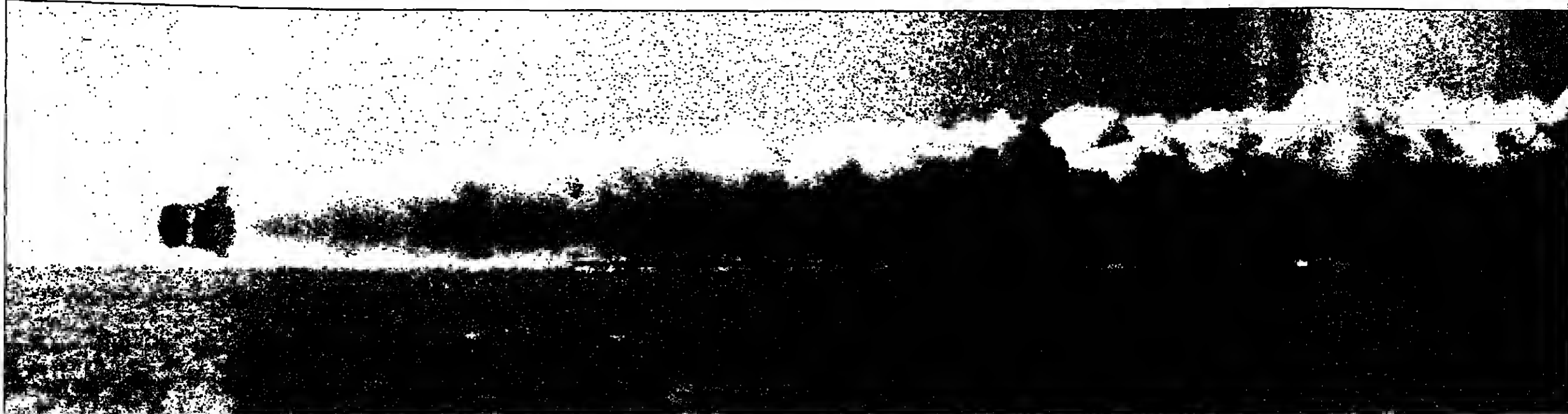
There is nothing to stop an MP employing a spouse, and a number of MPs do so, but there is a complete bar on the allowance – or any of the Commons facilities – being used for party political purposes. MPs are currently paid a salary of £43,860.

Tony Blair also said in the Labour manifesto, however, that part of the exercise to "clean up politics" would include a move to "put the funding of political parties on a proper and accountable basis."

If that is done, it would ease the pressure on the party machines – Labour, Conservative and others – to cut corners.

Lord Nolan's Committee on Standards in Public Life is expected to be given a reference on the funding of political parties later this year, with a request for recommendations. But it was pointed out last night that Lord Nolan had already set out a series of "principles of public life" that would be contravened if the Labour scheme succeeded – raising the possibility of an investigation by Sir Gordon Downey, the Parliamentary Commissioner for Standards.

**Andrew Marr on Labour's first month, page 23**



A need for speed: Britain's jet powered car Thrust roars across the Jordanian desert yesterday in trials for an attempt on the land speed record. The current world record, held by Richard Noble, is 633.47mph

Photograph: Reuters

## Don't try this at home: A Briton goes for a world record as we face lower speed limits

**Colin Brown**  
Chief Political Correspondent

As a British team prepared for their attempt on the world land speed record in Jordan, the Government announced speed limits could be cut in order to reduce road accident figures – but said the national 70mph limit would not be changed.

Gavin Strang, the Minister of Transport, told MPs: "Speed contributes to a third of all road accidents. I am concerned to reduce its impact and I shall be considering a range of measures to manage speed, including speed limits."

The 70mph limit has been in force for decades. By reviewing speed limits, Mr Strang could be

opening up a Pandora's box, and anxious transport press officers were quick to play down last night suggestions that the 70mph speed limit was likely to be changed.

"We have a new government looking at everything," said a Whitehall source. "But we have no plans to reduce national speed limits."

Mr Strang also ruled out Tony Sug-

gestions that the 70mph limit should be increased to 80mph, the 1 speed followed by many drivers in the fast lane. Many motorists claim the current limit causes bunching, and dangerous tailbacks, and some police forces are reluctant to prosecute for speeding below 80mph on motorways.

However, John Prescott, the Deputy Prime Minister, in charge of

both the departments of Transport and the Environment, is on record for supporting a reduction in motorway speeds to 50mph at peak times.

Mr Prescott's 1989 plan for reducing the speed limit to deal with congestion anticipated by half a decade the imposition of a variable speed limit on the M25 to reduce

congestion at peak times. The review by Mr Strang could widen the use of motorway signals like those on the M25 to force drivers to lower their speeds for safety reasons. At the moment, the motorway signals are normally used for hazards such as fog or accidents.

The 60mph limit on the M25 is seen by many motorists as safer, and

less stressful than the speed-and-brake approach to most driving on Britain's overcrowded motorways.

The merging of the two departments under Mr Prescott will also herald moves to make environmental concerns more important in road planning. Reducing speeding may also be seen as a "green" measure to reduce fuel consumption.

## Hong Kong handover turns into farce

**Stephen Vines**  
Hong Kong

The ceremonies planned to mark the return of Hong Kong to China are descending into farce. With four weeks to go, the guest list is uncertain, Britain is threatening to snub the Chinese ceremony and China is threatening to return the compliment.

There has never been a British colonial withdrawal surrounded by such uncertainty so close to the lowering of the Union flag. Even countries which waged bitter independence

struggles managed to reach a greater level of agreement about who would participate in the handover of power by this stage in the proceedings.

The event is threatening to pose a severe test for Robin Cook, the Foreign Secretary, and for the Government. It is coming to symbolise the bad state of relations between London and Peking. Because of doubts over the ceremonies, Tony Blair has yet to decide whether to attend.

Indeed, there is still wide uncertainty over who will be in Hong Kong for the handover on the 30 June. Britain has announced its principal participant will be the Prince of Wales and has repeatedly asked China who will be his counterpart. China has declined to answer, aside from an assurance that it will be a person of appropriate seniority. This has been taken to imply that President Jiang Zemin will be present but there is still no confirmation.

It is even possible China may be represented by Prime Minister Li Peng, who is hated in Hong Kong as the person mainly responsible for the Tiananmen Square massacre, the anniversary of which will be commemorated today.

But the biggest problems concern the two parallel ceremonies arranged by Britain and China. There are doubts about who, if anyone, will represent China at the British farewell military pageant, the only occasion at which the Governor Chris Patten will speak. Britain had assumed that there was no



Chinese soldiers stand guard at a flagpole in Tiananmen Square on the eve of the eighth anniversary of the massacre of protesters there. The massacre has often been used by pro-democracy protesters in Hong Kong as typifying the Chinese government's attitude towards dissenters

Photograph: AP

new administration. It had been planned that the Foreign Secretary would stay for this event and for other events later in the day, before departing on a chartered British Airways flight.

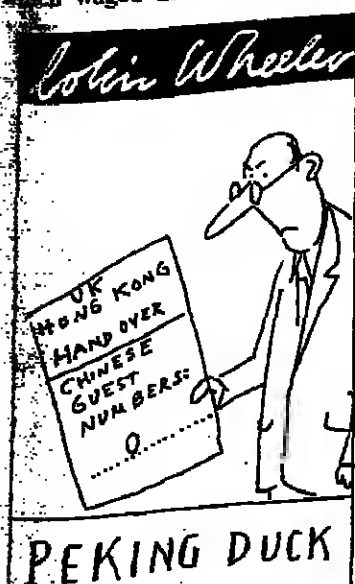
However, British officials are concerned that Mr Cook might be placed in the embarrassing position of seeming to endorse the appointment of the provisional legislature, which will on China's insistence replace the existing, elected Hong Kong legislature.

Britain regards the provisional legislature as an illegitimate body, while China objects to the present, democratically-elected body.

Now that China has made it clear that it wishes the foreign dignitaries to witness the swearing-in, Britain may decide that it should only be represented by an official. This raises the possibility that Mr Cook may fly back to Britain that night, rather than taking part in any of the other handover ceremonies.

Democracy campaigners in Hong Kong have already started putting pressure on foreign capitals, including Washington, to boycott the swearing-in of the provisional legislature members. Emily Lau, a leader of the Frontier pro-democracy group, said that China had "pulled a fast one" by trying to lend legitimacy to the new body by getting foreign governments represented at its birth.

**Pillar of shame, page 17**



**Colin Wheeler**  
HONG KONG HAND OVER CHINESE GUEST NUMBERS  
PEKING DUCK

**Stabbing inquiry**  
An independent inquiry is investigating how a psychiatric patient was able to walk out of a hospital, buy a knife and stab a year-old girl in a random attack.

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**The Spice Boys.**



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# The mouse that roared



The creation of an animal with a human chromosome has far-reaching consequences, not just for human development, but for world trade too

Charles Arthur  
Science Editor

The trade wars of the future could be fought over the ownership and exploitation of human genes – not spices, or fish, or computer chips, like those of the past. Though the connection may seem obscure, the success of a team in Japan which yesterday announced it had bred mice with an entire human chromosome, containing thousands of genes, moves that day a little closer.

A legal battle is already brewing between an American company, Biocyte, and a number of European government-funded bodies. The issue is complex, but boils down to this: Biocyte has the rights to use the blood cells from the umbilical cord of any baby born in the European Union. European doctors and blood specialists strongly oppose the granting of that right, made earlier this year by the European Patent Office.

The Japanese work transplanted a number of human genes which produce antibodies for the human immune system into embryo cells of mice, which then grew into healthy adults. Crucially, their blood contained human antibody proteins, confirming the success of the gene's movement.

Previous gene work has managed to create "transgenic" animals containing one or two genes from another organism – a plant, animal or human – but never before has an entire chromosome been successfully incorporated into another animal's DNA.

Steve Jones, professor of genetics at University College, London (UCL), called the work, reported today in the science journal *Nature Genetics*, "a remarkable technical breakthrough".

The future applications could

include the creation of transgenic animals which would make antibodies to all sorts of human illnesses. Biotechnology, using transgenic animals is forecast to be a multi-billion dollar business. Imagine, for example, if cows could produce human antibodies: their milk could replace both breast-feeding and powdered milk.

And that is only one of a myriad of possibilities.

A trade war could follow if regional patent offices began turning down patents from abroad for "local" reasons. On that basis, the challenges to the Biocyte patent could be the first step to a gene trade dispute.

But in the short term the most certain result of the latest

work is that patent offices around the world will soon receive copies of applications from the Japanese group, "patenting" the mice's DNA and the techniques used to produce it. To many people, the idea of patenting genes and DNA – the blueprint for all living things – is repellent. But Professor Jones insists that the

only way forward is to be pragmatic about the commercial aspects of biotechnology, and exploit them to our advantage.

"There's no field of human endeavour in which we don't have intellectual property rights," he said yesterday. "If you can patent plant varieties, as already happens, you can patent genes and DNA. You

can't then say human DNA is a special chemical. You have already swallowed the camel."

This is where Biocyte has stepped in and identified the umbilical blood cells – known as "stem cells" – as biologically unique. Such cells are "mother cells" which, when introduced into diseased parts of the body, can generate healthy

blood cells. More than 500 people have already benefited from that, as an alternative to replacing diseased bone marrow (which normally produces new blood cells), in cases of inherited blood disorders and cancers. Stem cells exist only in the fetus, and can normally only be collected from the umbilicus. But a consortium of nation-

al blood transfusion services from the UK, France, Germany, Spain and the Netherlands, with the European Bone Marrow Association, are challenging the Biocyte patent on the basis that it is too broad. Their appeal will not be heard until some time next year.

Meanwhile, a parent could only prevent the umbilical blood cells from becoming Biocyte's intellectual property by altering the hospital consent form to exclude the cells' collection – but that would prevent their use in potentially lifesaving medical treatments.

Professor Jones suggests that the only way forward will be for everybody to become more aware of the value of their genetic material, and hanging on to it – possibly by altering consent forms. In 1984 in the US a man whose extracted spleen cells were used by the drugs company Sanofi to create new products sued the company for a share of the benefits – but lost because the consent form abrogated his rights once the tissues were removed from his body.

"Companies will try to make consent forms ambiguous and wide ranging, and play on people's fears," Professor Jones said. "I certainly wouldn't sign a consent form willy-nilly. People have got to become aware of what they're signing."

Biotechnology companies insist that the enormous investments they have made justify the breadth of their patents. Sometimes, though, the companies make the gamble and lose badly. In 1989 the chemicals giant DuPont began offering for sale its patented "Oncomouse" – a mouse with a genetic predisposition to develop cancer. It spent more than \$10 million on the controversial research and licensing. But almost ten years later, DuPont has seen barely any revenues from it.

Gene wars: Legal battles loom over the right to use blood from umbilical cords in transgenic work such as moving human chromosomes to mice Photograph: Science Photo Library

## Top auction houses face inquiry over price-fixing

David Osborne  
and Stephen Goodwin

Christie's, the London-based auction house, is assisting the United States Justice Department in a sweeping investigation into allegations of illegal price-fixing in the elite world of fine arts dealing in New York City.

US officials have in recent weeks served subpoenas on several auction firms, including Sotheby's, and on a wide range of top-drawer Manhattan

galleries for information that may help with the inquiry.

Investigators have seized truckloads of documents including travel records, telephone bills and correspondence between auction houses and dealers. They are looking for evidence of "bid pooling" or "bid rigging", which entails buyers agreeing in advance of a fine arts auction to hold back from bidding against each other for a work and thus holding down the selling price

They can then sell on the piece at a considerable profit.

Christie's disclosure of the Grand Jury subpoena was made as part of a statement to the Stock Exchange announcing its intention to raise US\$75m (£46.8m) to finance new premises in the Rockefeller Centre in New York and expand facilities elsewhere. When raising money, companies are under a duty to disclose any information that may be relevant to shareholders.

Peter Blythe, Christie's group finance director, said the company's US subsidiary, Christie's Inc, was co-operating fully with the Justice Department and believed it had "acted properly at all times".

"Clearly, bid rings are not something which auctioneers favour because we benefit from getting the very best price for the seller," Mr Blythe said. Auction houses make their living by levying a buyer's premium of up to 15 per cent on works sold.

Bid rigging is also illegal in Britain but rumours of pooling by dealers circulate at intervals.

News of the investigation sent shockwaves through the fine arts community in New York yesterday. If any wrongdoing is uncovered it could seriously tarnish an industry that depends on a sterling reputation to retain its clientele.

"This kind of thing puts us all in a bad light and could cost some dealers lots of money," remarked Walter Edelman of the Edelman gallery.

A frequent visitor at both Christie's and Sotheby's, Mr Edelman said he had never been approached by a rigging consortium. But the allegations did not seem outlandish to him.

One of the galleries to have received a subpoena spoke to *The Independent*, anonymously. "We do not know of any instances where this has happened," the owner said. "But there may be people out there like this; every gallery has to make a profit."

it. It's clear that in the history of art dealing there have been cases of people working together in this way."

Another technique for rigging sales involves dealers paying commissions to potential rivals to persuade them not to bid.

The Justice Department refused to offer any details of the investigation. But a spokeswoman confirmed that "the anti-trust division is looking at the possibility of anti-competitive practices in the fine art auction industry".

"I've just received my annual bonus from work, which I'd like to invest. I don't want to tie my money up for years, but how can I get a good return that's guaranteed?"

Mark Roberts, Barnsley.



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## news

# Psychiatric patient stabbed baby after walking out of ward

Glenda Cooper  
Social Affairs Correspondent

A violent psychiatric patient who stabbed a baby in a random attack was able to walk out of a hospital unchallenged and was not missed for several hours, a court heard yesterday. Mental health charities yesterday called for increased

staffing levels in psychiatric units after Malcolm Calladine, who had a history of knife attacks was able to abscond from Highbury Hospital, Nottingham, earlier this year.

He stabbed one-year-old Ashleigh Baker in the stomach with a three-inch knife in front of her mother Norma-Jean. The child's life was saved by the

prompt action of a passer-by, Pauline Edwards, who administered first aid until an ambulance arrived. Ashleigh underwent emergency surgery and has since made a full recovery. Ms Edwards was yesterday awarded £100 from public funds by the court in recognition of her action.

Calladine, who has a mental

age of eight, later told the police that he had attacked the child because he wanted to be moved from the hospital to live with his sister.

Nottingham Crown Court was told that he had been in and out of psychiatric hospitals since the age of five and had several convictions for indecent assault on children as well as a history of

knife attacks. He was known to have absconded repeatedly from different hospitals including Highbury where he had lived since 1991, said the prosecution.

Judge John Hopkin said it was worrying that Calladine had been able to abscond so easily and ordered that he be detained under the Mental Health Act indefinitely. "It is a cause

for some concern that this man who appears to have threatened people with knives, and been generally disruptive and violent was allowed in a hospital where there is not stricter security with the result that this terrible incident occurred," he said.

Nottingham Healthcare NHS Trust, which has launched an independent inquiry, said

that its own inquiry had concluded that events leading up to the incident "could not have been predicted".

But the mental health charity SANE called for increased staffing levels on the front-line of psychiatric care to curb the risk of such incidents. Grainne McMorrough, legal and policy manager for SANE said: "It is

a disgrace that he could disappear off a ward in such circumstances and that staff didn't even know he was missing for several hours.

Peter Hill of the Zito Trust added: "We would express concern at the apparent ease with which this patient absconded but the details are for the independent inquiry to investigate."

## Treetop Animal protests in a concrete overcoat

Michael Streeter

After the re-emergence of Swampy, it was the turn yesterday of another well-known eco-warrior to step into the limelight when 17-year-old Animal was lowered from a treetop in one of the most dramatic episodes so far of the two-week eviction near Manchester Airport.

The youthful veteran of the A30 protest at Fairmile in January had been suspended precariously 50ft up in the trees since Friday, and since Monday had been attached by ropes to a huge lump of concrete inside an oil drum.

Overseen by a safety observer from the protesters, bailiffs inched her down carefully with the help of a cherry-picker crane, her arm still tied to the drum. They later took three hours breaking up the concrete "lock on" - estimated to weigh more than a ton - with a pneumatic drill before Animal was finally cut free and taken away in a police van.

One campaign organiser, Jeff Gazzard, said: "As far as we know she is fine. She is a very determined protester."

The drama and danger of the removal was summed up by the Under Sheriff for Cheshire, Randal Hibbert, who personally oversaw the action. He said: "She was brought down from the trees in a very delicate operation. Any small mistake by the bailiffs would have resulted in her breaking her arm."

Animal's emergence at the Manchester second runway demonstration follows her presence at the A30 action at Fairmile, Devon, earlier this year, when she and Swampy were eventually removed from a tunnel. On Monday, Swampy was evicted from Fairmile for the second time.

At the time, Animal was asked if she would be prepared to go through a similar experience again. She replied: "Absolutely. No reservations at all."

The officials expect to remove six others still in trees by this morning but eight protesters remain in three tunnels.

Mr Gazzard said all the remaining demonstrators were in good spirits and predicted the eviction to clear the site for the £172m runway could take another week.

A spokeswoman for Manchester Airport said Civil Aviation Authority figures quoted by protesters, which showed that the volume of air traffic fell last summer, were "selective" and ignored the fact that volume was up 7 per cent this year and was projected to grow by 6 per cent per year.



Stuck fast: Animal, with her arm in a concrete 'lock on', protests against the second runway at Manchester

Photograph: News Team

## Mowlam seeks to speed up Ulster talks

David McKittrick  
Ireland Correspondent

Multi-party talks resumed yesterday in Northern Ireland overshadowed by uncertainties on the state of play within the IRA and Sinn Féin, the fear of a violent marching season and generally low expectations of early breakthroughs.

The funeral of an RUC officer, killed by a mob attack sparked by Protestant objections to RUC policing of parades, cast a further pall over proceedings. Mo Mowlam, the Northern Ireland Secretary, warned that "a period of deep potential instability" lay ahead, with an obvious increase already in "sectarian bigotry".

In the face of these difficulties Ms Mowlam sought to inject impetus into the talks process by indicating that she wanted the parties to move on to substantive discussions in weeks.

This is seen as a hugely ambitious objective, given that the talks will shortly reach their first anniversary following a year of snail's-pace argument which has not yet even managed to produce an agreed agenda.

Meeting Ms Mowlam's target will therefore require a sharp burst of acceleration. This does not seem likely to happen, this week at least, given that the Rev Ian Paisley's Democratic Unionists are staying away from the talks until the Northern Ireland Forum, an adjunct of the talks proper, meets on Friday.

The parties have yet to agree on how to deal with the controversial issue of arms decommissioning which dominated proceedings for much of the past year. The next few weeks will provide a test of whether the talks are to remain stalled or whether movement is a possibility.

As the parties gathered at the Stormont complex in east Belfast, a Sinn Féin delegation headed by the party's president, Gerry Adams, arrived at the gates to enact the now-familiar ritual in which the republicans are denied entry because of the absence of an IRA ceasefire.

This time they arrived to find the gates padlocked. The delegation handed in letters to the British and Irish governments, addressed the media, and left. Dublin's representative in the talks, Dick Spring, the for-

eign minister, replied that if the IRA declared a new ceasefire the governments could move very quickly in response. He added: "The reality for Sinn Féin is that they have the key in their own pocket."

In the meantime both governments appear to have left the door ajar for Sinn Féin, even after the weekend's 1,000th IRA bombing attempt in west Belfast. Both London and Dublin have refrained from breaking off contacts with the republicans, even though Tony Blair had indicated that the communication link could depend on "events on the ground".

There is still general puzzle-



Mowlam: Warned of period of potential instability

ment about what the IRA hoped to gain with the bomb attack. Republicans were clearly anxious both to keep open their lines to the governments and to win a seat in this week's Irish general election, and the attempted bombing endangered both.

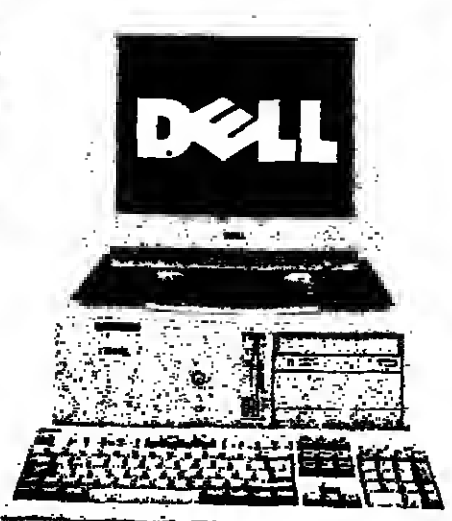
The Church of Ireland Bishop of Connor, the Right Rev James Moore, told mourners at the funeral of Constable Gregory Taylor that his killing was "savagely in the extreme".

The chairman of the Northern Ireland Police Federation, Les Rodgers, meanwhile delivered a stinging attack on loyalist politicians. "Even the most eminent of the politicians in this community," he said, "had no hesitation in employing the cowardly tactic of reminding officers that they know where our homes and families are." He said they had a duty to ensure that inflammatory words did not spur on "their wider supporters" to attacks on police homes.

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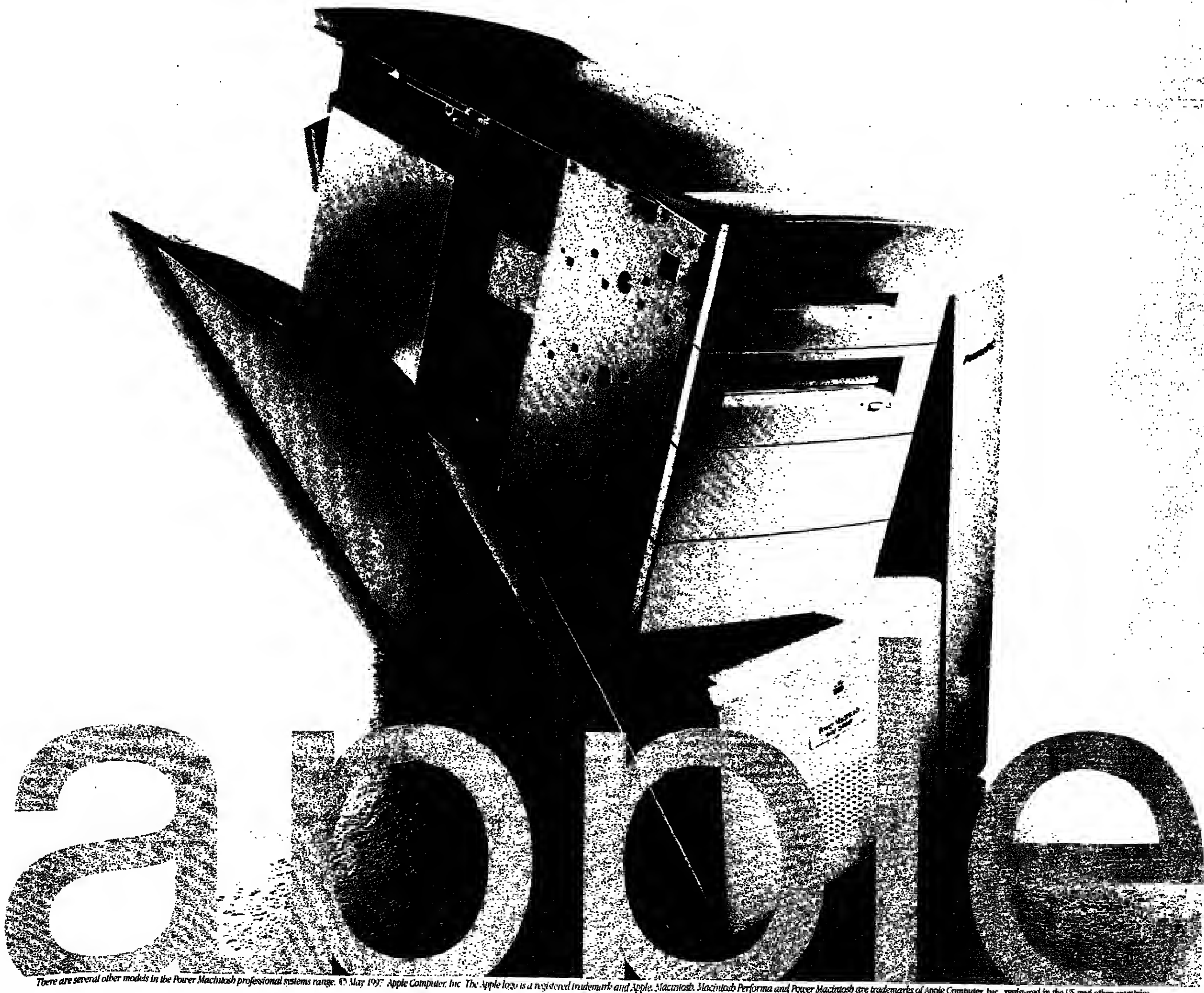
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## news

# Summer schools with treats will put slow readers on fast track

Judith Judd  
Education Editor

Government-funded summer schools will next month try to entice slow readers on to a programme which combines literacy teaching with treats.

Ministers are spending £300,000 on programmes in 29 schools to help 870 pupils who are due to transfer to secondary school next term. Teachers, whose involvement will be voluntary, will be paid to give up about two weeks of their summer

holidays to ensure that each child receives 50 hours of instruction in reading and writing. They will offer literacy activities which are demanding and fun alongside trips, perhaps to the zoo or a theme park, and drama.

Pupils will be chosen in consultation with parents and primary schools. All will have reached the reading standard expected of a nine-year-old. The aim will be to bring them up to the expected standard for an 11-year-old.

Stephen Byers, the school standards minister, announced the projects at Charles Brooke Girls' School in Lambeth, south London, one of the pilot schools. He said: "The first day at secondary school is a daunting experience for all pupils. No children should have the extra

worry of being left behind in reading skills. By supporting our children and helping them improve their basic skills they can face the demands of secondary education with confidence."

Summer schools have been tried in some American cities, such as Chicago, with limited success. When the scheme is voluntary, take-up is limited. When it is compulsory, it is little better. However, such schemes have usually concentrated on children with the lowest literacy levels rather than those who are a couple of years behind the expected standard.

In Britain, Birmingham ran a week-long reading and writing programme last summer for 25 pupils in the first year of secondary school. The children, who were picked by their schools, were taught reading through music, movement and games. About 200 ten and 11-year-olds will take part in a similar programme this year as part of the city's University of the First Age, which offers pupils the chance to pursue a subject in more depth.

Michael Barber, government adviser on standards, predicted that there would be a strong demand for places at the new summer schools. "I would

expect that many of them will be turning children away. But it depends on the programmes which are developed which will be a mix of structured teaching which is demanding and fun with a range of other activities."

Mary Mensa Bonsi, aged 14, a pupil at Charles Brooke, said she would have had mixed feelings about joining a summer school. "I would have been a bit upset about giving up my summer holiday, but I think it would be worth it if they are going to do activities then that would have made it better."

Linda Mann, the school's head of English, who will help to plan the programme, thought the scheme would give pupils more confidence, but she added: "I don't want to see any erosion of teachers' holidays. Teachers work very hard in term-time."

Money for the scheme will be diverted from the Grant Maintained Schools Foundation which was set up by the last government to promote opted out schools.



Ticket to read: Like their American counterparts, British pupils will enjoy days out while brushing up on basic literacy skills at summer school

Photograph: Claus Meyer/Colorific

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## Child violence a forgotten abuse

Glenda Cooper  
Social Affairs Correspondent

Physical violence against children is in danger of becoming the "forgotten abuse" although it remains the most common form of harm they suffer, a charity warned today.

The National Society for the Prevention of Cruelty to Children expects a 50 per cent increase in calls over the summer about children suffering from violence as parents and carers cope with the stress of the long holiday.

Yet while it has been the most reported form of abuse for the last five years it is often "taken for granted" and has become overshadowed by concentration on exposing sexual abuse.

Last year physical abuse referrals from June to August rose by half (an average of 246 per month compared with 164 per month for the rest of the year), the NSPCC said. Ill-treatment included being deliberately burned with a kettle,

struck on the face with a broom and thrown down the stairs. One caller reported that at 10pm he could hear a child screaming "please don't kill me".

Last year, 10,700 new victims of physical abuse were added to child-protection registers. The largest increase in reporting of violent crime since 1981 has been domestic violence with women and children as the main targets. As well as a hard-hitting advertising campaign, the charity has launched a new public awareness initiative and called on the Government to introduce a co-ordinated approach to help women and children suffering from domestic violence and local authorities to have responsibility for introducing community safety and crime-prevention programmes.

The NSPCC Child Protection Helpline is on 0800 800500. A leaflet, *Stop the Violence*, is available free from BT shops and NSPCC, 42 Curtain Road, London EC2A 3NH.

### DAILY POEM

#### The Flightless Nomads

By John Kinsella

There's no salvaging the fruit box,  
nails already skeletons when the wood's  
decomposition begins, nor the beer bottle ringed  
corrosively. There's no salvaging a tableau  
that's blank, nor foxprints overlain  
with ice drier than a saltbush's skin.  
And there's no salvaging a prayer  
breached when tides of faith falter  
and the homestead collapses, when the flightless  
nomads of the gullies rise up and conquer.

This poem comes from the Australian poet John Kinsella's new book *The Silo: a pastoral symphony* (Arc). The collection takes Beethoven's Sixth as a framework to explore "the music of an Australian rural landscape", and the European impact on it. *Silo* costs £7.95 from Arc Publications, Nantolme Mill, Shaw Wood Road, Todmorden, Lancs OL14 6DA.

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## news

# US cash for study of Gulf victims

Jeremy Laurence  
Health Editor

The biggest study of the health of Britain's armed forces, paid for with \$1m from the Pentagon, begins this week in an attempt to settle the question of whether Gulf war syndrome exists.

Questionnaires are being sent to more than 10,000 soldiers and former soldiers who served in the Gulf, in Bosnia and who stayed at home. The idea is to discover whether there was something specific about serving in the Gulf that caused soldiers to fall ill or whether those who served in other hostile environments such as Bosnia suffered similar ailments.

Last month, the Government declared a new spirit of openness in dealing with Gulf war veterans and announced new animal studies into the toxic effects of drugs given to servicemen. John Reid, the armed forces minister, spoke of the Government's debt of honour to those who served their country and pledged that any illness suffered by them would be sympathetically and thoroughly investigated.

However, the Ministry of Defence is resisting compensation claims in the absence of any hard evidence that a separate and distinct illness associated with service in the Gulf exists. Instead, the ministry is hoping to avoid admissions of liability by being generous with war pensions, giving claimants with health problems that may be related to service in the Gulf the benefit of the doubt.

The Pentagon-funded study is being led by two specialists in unexplained syndromes at King's College Medical School, London. It is being paid for by the United States government because no comparable epidemiological study, designed to reveal pat-

terns of illness, has been possible in the US, which lacks a central system of medical record keeping. In the UK, the National Health Service provides the data required for the research.

Over 1,200 men and women who served in the Gulf have reported illnesses including cancer, chronic fatigue and memory loss. Although some are linked to combat stress many who are ill did not fight.

Professor Tony David, a neuropsychiatrist who is leading the study with Professor Simon Wessely, an expert in chronic fatigue syndrome, said the toughest task had been to design a questionnaire that servicemen and women would want to fill in. Payment was not allowed but the researchers will enter all returned questionnaires in a lottery with a £1,000 prize.

Professor David said: "It is important that everyone who receives it fills it in. We have to find out what is going on. Neither the Pentagon nor the Ministry of Defence will control what we publish. We have complete academic freedom - that is written in stone."

The Pentagon, which has spent over \$92m (about £62m) on research in the US, is keen to learn about the experience of soldiers from other countries to see if there are lessons to be learned at home. An independent advisory committee appointed by President Bill Clinton found little evidence that exposure to chemical weapons or pollutants was the cause of health problems and concluded that the stress of combat was probably to blame.

The Medical Research Council is also about to start an MoD funded study of the incidence of abnormalities among children born to servicemen who served in the Gulf.



Dress rehearsal: Women at Christie's in London yesterday for the first public viewing of the Princess of Wales's gowns to be sold in New York on 25 June Photograph: Brian Harris

## Oasis Web sites wonder what's the story



Liam Gallagher: Net reaction

Charles Arthur  
Science Editor

The message from Oasis's management to hundreds of the band's fans on the Internet could have come straight from the lyrics of "Wonderwall": "by now you should've somehow realised what you gonna do".

That is, remove by yesterday any "unauthorised" pictures, lyrics, text, sound and video clips from their Web sites, as they were warned to do 30 days ago in a mass e-mailing. However, the fans' response

has resembled that of Liam Gallagher facing a horde of photographers: the cyberspatial equivalent of a "Wonderwall" also suggests "today is gonna be the day that they're gonna throw it back to you". Yesterday was the deadline for making changes to the Web sites, according to the message sent out at the end of April by Oasis's management company, Ignition, to hundreds of owners of Web sites hymning the praises of Oasis. For those who did not, "failure to comply with the law will ultimately result in legal action."

But the result could be embarrassing for Ignition. Many of the sites have refused to remove the songs, video clips, lyrics and images, despite the threats.

However, it is unclear whether any prosecution under the Copyright Act would be successful. Short audio or video clips, and photographs, and extracts of lyrics, are allowed under existing "fair use" provisions of copyright law.

Ignition's move has succeeded though in annoying a number of Oasis fans on the Internet. "These fans who write

Web sites are the biggest fans and probably buy every CD or whatever that comes out," wrote one. "By doing this you risk alienating fans, rather than appeasing them."

There are more than 250 Oasis fan sites on the Internet, with varying levels of sophistication. But there are no signs that they are eager to comply with the warning, which also carried the names of Creation Records and Sony Records, which issue the band's recordings.

One site, run by Jack Martin in the United States, has writ-

ten back to Ignition insisting that all the materials on his site are justifiable under the "fair use" clauses. His site shows hundreds of messages from other Internet users and Oasis fans supporting his stand. "I don't feel that this matter is something that Ignition is too keen on pursuing, especially after the response they've gotten from webmasters and the media," he said on Monday. Many other sites show no signs of having changed: music and audio clips, and lyrics abound. None credits Ignition or Oasis.

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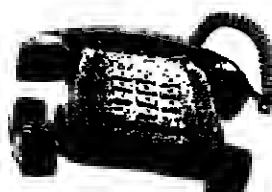
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Nationwide Capitalbuilder 90 Day	4.00% <sup>1</sup>	4.30%	4.50%	4.80%	5.10%	5.10%
TSB 60 Day (60 Day Notice)	3.00% <sup>1</sup>	3.25%	4.30%	4.75%	5.00%	5.00%

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<sup>1</sup>Rate effective from £500. <sup>11</sup>Rate effective from £200,000.

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# Clarke-Hague dream ticket?



Like minds: William Hague with Lord Parkinson yesterday after the former Cabinet minister announced he would be supporting him in the leadership election. Photograph: John Voss

## Former Chancellor set to offer rival leading role in return for support

Anthony Bevins  
and Fran Abrams

A "dream ticket" of Kenneth Clarke and William Hague is being talked of by supporters of the two contenders for the Conservative leadership.

Although no talks have taken place, supporters of the two candidates for the first-round ballot on 10 June told *The Independent* yesterday that an alliance would help them both if the result of the first round was inconclusive.

The former Chancellor of the Exchequer is expected to come top of the ballot in the six-strong field that is expected next Tuesday, but he could find it difficult to win without the help of the centre-ground Mr Hague.

While no candidate can deliver his support for another, second-round candidate, *en bloc*, an endorsement could mobilise solid support for a leading contender.

It is increasingly being recognised at Westminster that at 36, Mr Hague could well be too young to lead old-hands like Mr Clarke, Michael Howard, Peter Lilley and John Redwood in a united shadow cabinet.

But if he was assured of a leading role in a Clarke team, possibly as deputy leader with responsibility for party organisation, he could prepare himself for an eventual succession to Mr Clarke, who is 57 next month.

Senior sources in the Clarke and Hague camps said yesterday that there could be no talks

until after the results of the first round had been declared on Tuesday evening. But quick moves might be required in advance of the second-round ballot one week later, on 17 June.

There were strong rumours in Westminster yesterday – no doubt inspired by Clarke supporters – that if the party leadership was taken by a right-winger there could be a significant number of defections from the parliamentary party.

On the right-wing, it was said again yesterday by a leading Howard supporter that Mr Hague was running in second place to Mr Clarke. But it was also conceded that if he was beaten by Mr Lilley, then he would be left with no choice but

to move behind him as the leading challenger to Mr Clarke.

However, the right-wing is by no means united. One of Mr Redwood's leading supporters told the *Independent* that Mr Lilley and Mr Hague had "no conviction, no passion, no guts and no brains."

He was particularly scathing about the "Mandelstonian hollowness" of Mr Hague, but his comments on Mr Lilley went into the regions of libel.

If that loathing is common in the Redwood camp, it is possible that Mr Clarke could pick up support from that surprising quarter in the second and third rounds of the contest, although the same, well-informed source thought it rather more likely

that the man who finally fought Mr Clarke would emerge as eventual winner.

Yesterday, with just a week to go, John Major said he would not give public support to any of the contenders. Mr Hague announced that he had won the backing of the former Cabinet minister Lord Parkinson, while Mr Redwood set out his plans on public spending.

Mr Major defended his decision to step down immediately after the general election as leader rather than waiting until the party had had time to consider its future.

"I think the sooner we can prepare, the sooner we have a new leader and the sooner we can then turn all our attentions to the shortcomings of the new

Government where we perceive there to be shortcomings, the better," he said.

Mr Redwood said: "We must both be the party of better schools and hospitals and the party of lower taxation."

"We can do it if we recommend sensible changes in the priorities in the budget."

He called for spending cuts of £3bn to pay for extra money for schools, the National Health Service and help for small businesses.

Savings could be made by scrapping plans to ban handbags, thus cutting compensation costs, by abolishing Urban Development Corporations, but ending regional government offices and freezing civil service recruitment, he said.

DAVID  
Aaronovitch

## Indignant Howard argues for fair play

Michael Howard reached into his rhetorical bag, rummaged around in the pocket marked "outrage", and drew out a fistful of epithets and adjectives denoting shock, sadness, affront and insulted innocence.

The lot opposite were desecrating a "delicate system of checks and balances that has grown up over centuries", trampling over the "virtues of compromise and fair play", systematically "stifling discussion", "displaying contempt for decency and convention", "running contrary to the genius of the country", and planning a "tectonic change in how this nation is governed". Their behaviour was reminiscent of that of Robespierre, and "in the annals of this House there can be few who have fallen so far short" of their responsibilities as had the Leader of the House, Anne Taylor. In the public gallery there were shudders. But several schoolboys smiled wickedly, "indecent and unconventional" sounds like my kind of government.

To ragged Tory cheers, a dazed but happy Mr Howard subsided back on to the bench that he shared with leadership rival William Hague. Hague, dressed in identical suit, pinkish shirt and red and blue-spotted tie sportingly saluted Howard's speech. "Hear, hear!" he said very, very quietly.

Perhaps his mind, like ours, had ranged back over the years. He may have recalled how much Margaret Thatcher had loved compromise and courted convention, or how the "checks and balances" of local government and voluntary associations (like trades unions) had been attended to. So he may have concluded that listening to Mr Howard complain about his treatment was like hearing cries of "rape!" and "murder!" coming from death row at Alcatraz on hair-clipping day.

The former Home Secretary's target was, of course, the tyrannical new Labour government which – unsated by its tampering with the million-year-old tradition of two 15-minute Prime Minister's Questions – was now imposing a guillotine on the discussion of the Bill to hold referendums in Scotland and Wales. But there was something not quite right about his indignation. First, only 40 or so Tories had turned up to witness the fightback against Stalinist tyranny. Second, when asked by Labour's John Home Robertson how many of his Folkestone constituents had written to him about Scottish devolution, Mr Howard replied (after careful thought and a passing, awful vision of Anne Widdecombe) that he had mentioned the issue in his election campaign. In other words, none.

Tam Dalyell rose from his green cushion, and the House immediately fell silent. Was he about to put the boot into his own party, to warn Cassandra-style against hubris? Nope. Mad Tam had no sympathy with the Opposition, who had allowed the order paper to be "cheapered by the fluff of frivolous amendments".

I looked, and Tam was right. There were more than 200 amendments; amendments such as that put down by Euro-obsessive Bill Cash, wishing to insert in the Bill references to the Succession to the Crown Act 1707, the Princess Sophia's Precedence Act of 1711, the Wales Act of 1535 and several more. Tabled by anyone other than Cash this was an obvious filibuster. Tabled by Cash you couldn't be sure that it wasn't just sad. But (two Tam raised his own question. On the government frontbench those with long memories recalled how – nearly two decades before – Tam's Lothian question had scuppered the last, glorious Labour government. But that was then and this is now; Tam instead asked the Gary McAllister question. And that is – as everyone knows – a much easier question to answer.

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## Harman heads team to put women's issues first

Fran Abrams  
Political Correspondent

A new Cabinet sub-committee will put women's issues "at the heart of government", Britain's first Minister for Women announced yesterday.

Harriet Harman, who holds the post alongside her role as Secretary of State for Social Security, will chair the committee. Its members will include at least six other female ministers.

Ms Harman has also set up a Women's Unit, based in the Cabinet Office, which will promote women's issues across Whitehall. The unit will be headed by Pauline Barrett, who formerly worked with the International Labour Organisation in Geneva. Anna Coote, deputy director of the Institute for Public Policy Research, has been appointed as part-time specialist adviser on women.

Last night women's groups welcomed the announcement, but pointed out that the last government had both a Cabinet sub-committee on women and an equality unit. The success of



Harman: Will chair sub-committee on women's issues

the new government would depend on the depth of its commitment, they said.

Among the ministers who will sit on the Cabinet committee will be Clare Short, Secretary of State for International Development, Mo Mowlam, Secretary of State for Northern Ireland, Glenda Jackson, transport minister, Angela Eagle, environment minister, Helen Liddell, economic secretary to the Treasury, and Tessa Jowell, minister for public health.

Both the committee and the unit will try to ensure that government departments work together to address issues affecting women. Among those issues will be child care, family-friendly employment and domestic violence.

The Government is determined to continue to attract support from women, who voted Labour in equal numbers to men for the first time at the general election.

Ms Harman has said that she

will examine all economic and social papers going to Cabinet sub-committees to monitor their impact on women, and lead moves to set up a national child care strategy.

"Women have made great strides in recent years, but there is still much to do. I will ensure that for the first time women's issues are put firmly at the heart of government," she said.

Anna Coote said that under the Conservatives there had been confusion about what women's roles should be. "They didn't really know whether they wanted women to go back to the kitchen or whether women should go out to work. They didn't understand the need to improve the lives of poor women," she said.

A spokeswoman for the Rawcett Society, which campaigns on women's issues, welcomed the announcement. But she said the only new measure taken by the Government was the promise to monitor economic and social papers going to Cabinet sub-committees. Any new measures needed resources.

## Britain strikes deal to reduce veto on joint EU foreign policy

Sarah Helm  
Katherine Butler  
Brussels

The Government has struck its first significant deal with its European partners since coming to power by accepting a reduction of the British veto over joint foreign-policy decisions.

Announced by foreign ministers in Luxembourg yesterday, the deal will help smooth the way for completion of the Amsterdam Treaty, due to be signed by heads of government in two weeks.

The move is the latest indication that the new Government will accept greater power-sharing between EU member states than its predecessor. Under the deal significant decisions on foreign policy will be decided by a qualified majority of states.

The draft treaty text presented by the EU Dutch presidency, and now agreed by all 15 EU countries, states that the EU will decide only broad foreign policy strategy by unanimity. The nuts and bolts of how these strategies are implemented on the ground will then be decided by qualified majority.

If Britain does not want to participate in the implementation of a policy, if, for example, it does not want to send aid to a country or impose sanctions, it could refuse.

However, the objecting state would not be able to stop the others from going ahead. A single government would only be able to veto plans "for important and stated reasons of national policy".

Although the foreign policy

section of the Amsterdam Treaty is now almost finalised, the debate over whether the EU should appoint a senior figure to represent it on the foreign policy stage has still not been resolved. Britain and France are keen to appoint a weighty political figure to the job, while the other member states want a senior EU functionary.

Britain still has significant differences with its European partners over common EU defence. The Government is objecting to moves by France and Germany to incorporate the Western European Union, the body which co-ordinates European defence, inside the EU.

Meanwhile, Tony Blair's commitment to the European Social Chapter will be put to its first serious test today, when Brussels moves to bring in rules

which could lead to sanctions on British employers who fail to consult and inform their staff about management decisions.

The Prime Minister warned in Noordwijk 10 days ago that although Britain would sign up to the Social Chapter, he would not tolerate a flood of burdensome new legislation which might harm British competitiveness.

The Government will be faced with the unpalatable prospect of two further measures under the Social Chapter within days. On Friday the Commission will announce it is to draft legislation to extend the part-time workers' rights, while next week in Luxembourg EU ministers will announce it is to reach agreement on making it easier for workers to challenge bosses over sex discrimination.



# Blair rewards party workers with top jobs

Christian Wolmar  
Westminster Correspondent

Many of the key workers who helped Labour to victory have been rewarded with jobs in ministerial offices with most sought-after posts going to outsiders.

Nearly all the special advisers worked previously for the Labour Party or shadow ministers, according to an analysis by *The Independent*. Several have no previous expertise of the subject area of their department because they have followed their previous employer into a different department from the one which they shadowed.

The revelation comes as the row over the alleged politicisation of the Civil Service was seized on by John Major, leader of the Opposition, who told Radio 4's *The World at One* programme: "Mr Blair has been very enthusiastic in the scale of his appointments from the Labour Party into the Government machine. He's appointed far more people in under a

month than we had over an 18-year period. I think it is a mistake. I think many people will be concerned that this is leading towards politicisation of the Civil Service."

However, the increase is relatively small. There are 35 appointments so far in the departments and about half a dozen further appointments are expected compared with 30 under the Tories. The biggest increase is in Downing Street where the number of political advisers has gone up from eight to 18 because Tony Blair has a much bigger policy unit than his predecessor.

Of the 35 departmental advisers, only three did not have some direct connection with the relevant minister or with the Labour Party during the run-up to the election. While some, such as Gordon Brown's and Margaret Beckett's teams, who are mostly economists, have considerable relevant knowledge, others – such as Kate Davies at transport, Joe McCrae at health and Andrew Lapping

at the Chancellor of the Duchy of Lancaster – all followed their minister even though they were shadowing a different department.

Most are relatively junior in their twenties or thirties, but a few more senior experts have been brought in such as Norman Warner, a former director of Kent social services, Michael Barber, a former professor of education at the London Institute of Education, and Murray Elder, a long-time Labour Party employee with considerable expertise on the constitution.

Equally, in the policy unit, four out of the ten appointments previously worked for Mr Blair, either when he was leader or when he shadowed home affairs or employment. There is little concern among senior civil servants about the increase in numbers of special advisers because they do not see it as reflecting any major change in policy. One source said: "We were very relieved that they decided not to institute a cabinet type system but have stuck with the existing one."

## Compensation claimed for late aircraft order

Colin Brown  
Chief Political Correspondent

The Ministry of Defence is seeking compensation from the US makers of heavy transport aircraft after the disclosure that delivery of 25 of the C-130J aircraft costing £1.8bn has been delayed by a year.

The C-130J jets, replacing the United Kingdom's ageing fleet of Hercules transport aircraft, were ordered in 1994 and rolled off the tarmac a year later at the US plant of Lockheed, the American makers. But the aircraft stall at low speeds, and there have been problems with the avionics, MoD sources said

yesterday. The MoD is invoking a clause in the contract to seek compensation for the cost of the late delivery.

Aviation experts shrugged off the delay in the development of the C-130J as "one of those things", but late delivery of defence equipment has been a continuing source of concern for the Public Accounts Committee, which is expected to investigate, when it is set up.

John Spellar, the defence minister, told MPs in a written Commons answer: "The programme has not yet met its implementation milestones as a result of development problems and difficulties in meeting

the flight test and certification objectives. These have caused a delay of about one year to initial aircraft deliveries."

The order was placed with the US company in the face of fierce competition from British Aerospace which wanted investment in a new generation of heavy-lift aircraft in a European consortium, codenamed the FLA. The Major administration announced a compromise, in which it would buy the planes, but would also support the development of the FLA on the drawing board. The Government is soon to face a tough choice over whether to go ahead with developing the FLA.



Edged out: The 17th-century 'Maiden' guillotine, Scotland's last, which is now housed in the National Museum of Scotland, in Edinburgh

Colin Brown  
Chief Political Correspondent

Donald Dewar, the Secretary of State for Scotland, yesterday warned Tory peers against repeating Conservative attempts in the Commons to block the passage of the referendum Bill for Scottish and Welsh devolution.

Michael Howard, the former home secretary, accused the Government of acting in an "arrogant and dismissive way", but Mr Dewar denied trying to bulldoze the Bill through the Commons and attacked the Tories for "an organised attempt to obstruct" the legislation.

The Government's use of the guillotine led to a second day of angry protests by Tory MPs, but John Major hinted that he was using the row to regroup his shamed forces in Parliament, and rebuild the Opposition. As two of the contenders for the Tory leadership, Mr Howard and William Hague, led the attack in the Commons, the former Prime Minister said on BBC Radio 4's *The World at One* that a Shadow Cabinet team had been set up to focus the Tory opposition to the referendum.

The group, including Mr Howard, Mr Hague, Michael Heseltine, Annabel Goldie, the chairman of the Scottish Tory Party, and Lord Cranborne, the Shadow Leader of the Lords, was behind many of the 250 Tory amendments which led the Government impose the guillotine before the committee stage had started.

Tory sources said the group had concentrated on tactics for attacking the devolution plans, and was not involved in policy, which would remain unchanged against the Scottish parliament and Welsh assembly.

Mr Major made it clear the Tories would keep up their opposition. "On no occasion have the Labour Party actually begun to address the serious problems which emerge from their own legislation. They are now going to have to answer them," he said.

Some of the Tory moves were attacked as "frivolous" by Liberal Democrat Scottish spokesman, Jim Wallace, who backed the Government's use of the guillotine. He cited the amendments to hold the Scottish referendum on St Andrew's Day, or that both referendums should be held on Sundays.

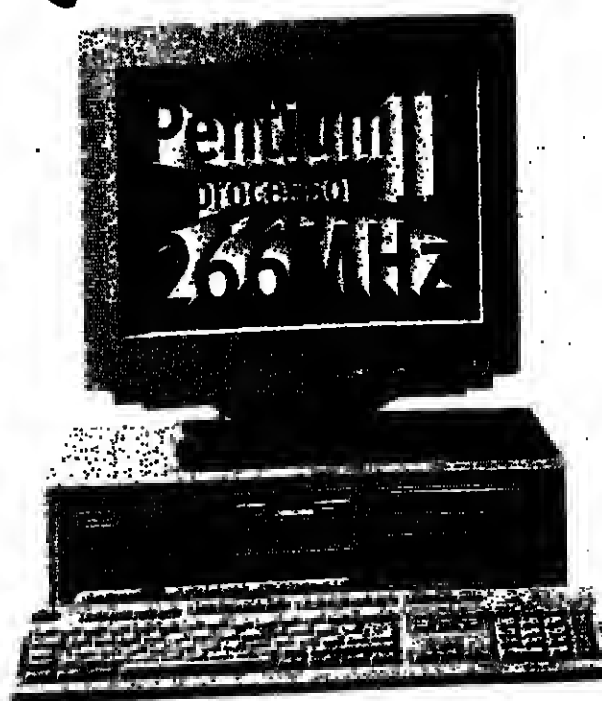
The guillotine and Labour's overwhelming majority in the Commons swept aside Tory attempts to include a wrecking threshold in the Scottish referendum, but the battle will resume today before the Bill goes to the Lords.

Mr Dewar promised a White Paper with a Commons vote before the summer recess, followed by the referendums. The main devolution Bill will be pushed through Parliament if the referendums approve the proposals.

Leading article, page 21

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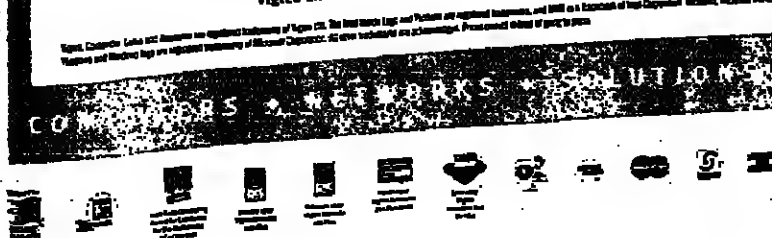
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# Irish election harvests its own sleaze crop



Alan Murdoch

All over the prime grasslands of Tipperary North, farmers were this week sweating in scorching heat, turning lush fields into five-foot high rolls of hay for silage. But for the voters in Ireland's "sleaze" constituency it is the rich harvest one man has already reaped that is the burning issue.

Lowry: Could hold balance of power for Fine Gael

Michael Lowry has been embroiled in controversy since he was forced to resign as transport minister and leave the Fine Gael (FG) party last November amid a financial scandal. To the consternation of government

and public, Mr Lowry may now not only retain his seat but romp home at the top of the poll in the three-seat constituency. On the road from the market town of Roscrea, Mr Lowry's stronghold of Thurles, the confident face of the sports star turned businessman-politician looks out from billboards in the blue and gold colours of Tipperary's Gaelic sports teams.

This is not accidental. Mr Lowry, 43, a former hurler at club level, played a decisive part in raising funds to clear £1.2m debts left by rebuilding Thurles' Semple Stadium, the county's Gaelic Athletic Association ground, home to Tipperary's crack hurling team.

His slogan, "Secure Tipp's Future", reminds voters of public investment in the area secured while Mr Lowry was a TD (MP), then minister. But since news that he was paid for business services with a large house extension worth up to £395,000 with furnishings from the stores magnate Ben Dunne, his former party leader the Taoiseach John Bruton has been distancing himself from him.

It also emerged that Mr Lowry took advantage of an income tax amnesty which his party had opposed. Plus, there was the embarrassment of tabloid revelations of a holiday he took in Spain with a female companion.

Then a tribunal investigating Mr Dunne's payments to Mr Lowry for legitimate business services that was imaginatively routed through the Isle of Man. Mr Lowry, in a "full" account to the Dail of his dealings with Mr Dunne, had failed to mention this. FG has disowned him as a candidate and he is standing as an independent.

A local businessman explains enduring support for Mr Lowry: "On the tax issue, people here say 'Well, [politicians] are all at it and he was just the one that got caught.' It is a fact that he has done a lot for the area."

Among professional middle classes tending their yachts in the evening sun at the picturesque village of Dromineer beside Lough Derg, there are more doubts, particularly about the tax issue.

## IRA volunteer 'had contact' with Mayhew

An IRA volunteer accused of plotting to bomb electricity supply stations and black out parts of London had contact with the former Northern Ireland Secretary, Sir Patrick Mayhew, he told the Old Bailey yesterday.

Gerard Hanratty said he also met the new Secretary, Mo Mowlam, during the early peace process. He told the court he was serving a sentence for IRA activities at the time and had a brief discussion with Ms Mowlam.

He had approved of the ceasefire, but as time went on became frustrated by the "inactivity" of John Major's government, he told the court.

Mr Hanratty said he had remained a member of the IRA after his release and during the peace process. When the ceasefire ended with the Canary Wharf bombing, he felt "sad and shocked," he told the jury.

He said he was called to a meeting by the IRA three months after the ceasefire ended and agreed to go on a mission for them in England. He was shown maps and documentation about power sources, and told the court of a "dry run" to a electricity sub-station in Ire-

land: "The purpose was a dry run for what we were going to do in England."

They put empty wooden boxes on a number of locations outside the station and then disconnected them, he said.

The prosecution alleges Mr Hanratty was part of an IRA active service unit which plotted to blitz electricity sub-stations. But the conspiracy was foiled by a police and security services operation, prosecutor Nigel Sweeney has told the jury.

Seven members of an IRA active service unit were in London within months of the ceasefire ending, he claimed. An eighth was to provide support and find premises in the Birmingham area. The initial targets were six electrical sub-stations: Amersham Main, Elstree, Waltham Cross, Caotbury oorth, west Weybridge and Rayleigh, the court has heard.

Mr Hanratty, 38, Martin Murphy, 36, Donald Gannoo, 34, Patrick Martin, 35, Robert Morrow, 37, Francis Rafferty, 45, John Crawley, 39, and Clive Brampton, 36, deny conspiring between 1 January and 16 July last year to cause explosions likely to endanger life or cause serious injury to property.



Role changes: Judith Burke, 33, holding her five-week-old daughter Emily at the triennial Women's Institute General Meeting at the National Exhibition Centre in Birmingham, yesterday. Ms Burke had Emily early by Caesarean so she could attend Brighton and Hove Albion's last football match of the season. Photograph: Andrew Buurman

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Photo: Manning: Steve Harris

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# Liberals scrape back in divided Canada

Hugh Winsor  
Toronto

Canadians awoke yesterday to a new Parliament, fractured along the regional fault lines of the country. The Liberal government of Prime Minister Jean Chrétien won a bare majority based on its strength in Ontario and Quebec, but it was almost shut out of Western Canada and took a severe drubbing in Atlantic Canada where resentment over widespread cuts to unemployment insurance and social programmes have resuscitated the labour-affiliated New Democratic Party.

The separatist Bloc Québécois held on to a majority of the 75 seats reserved for Quebec in the 301-seat national parliament but lost its position as official opposition to the Reform Party, led by an uncompromising Preston Manning, whose hard line against any concessions toward Quebec's French-speaking majority boosted his support in Western Canada.

Mr Chrétien paid a stiff price for his party's political opportunism, having called an elec-



Celebration: Jean Chrétien and his wife Aline greet supporters in Quebec after the Liberal victory yesterday

Photograph: AP

tion a year and a half before it was required. Although his position is secure in the short run, his lustre has been tarnished and there may be pressure for him to step aside before Quebec holds another referendum on sovereignty. In the meantime, with a majority of only four seats and five official parties in the House of Commons, the government will have to be particularly nimble in negotiating support among the opposition parties for major measures.

Mr Chrétien receives some

credit for winning two majorities in a row, the first time the Liberal Party has been able to do that since the Second World War. But the prime minister had

promised more when calling the vote and had sought an overwhelming mandate to give him new bargaining power with the Quebec separatists and the po-

litical stature to implement some new, as-yet-undefined resolution, with the support of other parts of the country.

Mr Manning's position as

leader of the official opposition enhances his ability to confront the government and provides additional resources for party organisation. But though

the Reform Party with 60 seats gains new clout in Parliament, the results amount to a disappointment for Mr Manning personally and for the political ideas he has promoted.

Reform had poured immense resources into the election battle in Ontario, the largest and richest province, which accounts for one third of the total seats in Parliament. But the party lost the one Ontario seat it had, and it also failed to make a breakthrough in rural areas.

An extensive television advertising campaign in which the Reform Party attacked the predominance of Quebec-based politicians in the national unity issue and questioned whether a prime minister from Quebec was capable of negotiating with the Quebec separatists appeared to have backfired.

The result was a more concentrated support in Western Canada. It probably also means checkmate for Reform's ambitions to become a truly national party with an agenda based on reducing the role of central government, a scaling back of social spending, and tax cuts.

Jean Charest, the young and charismatic leader of the Conservative Party, was the unheralded hero. He inherited a dispirited shell of a party that had been reduced to two seats in the 1993 election, mainly as a reaction to nine years of government led by former prime minister Brian Mulroney.

Mr Charest has been rebuilding the party and electrified the campaign with his performances in televised leaders' debates. In Quebec, he shook many of the "soft nationalists" out of the separatist camp and was the big factor in Bloc Québécois' decline in seats.

But he added only three seats because the way the votes split among the major parties running in Quebec benefited the Liberals. Similarly in Ontario, the revitalised Conservatives split the right-of-centre vote with the Reform Party, and the Liberals won 99 of the 103 seats.

As a result of all of the fractures and vote splits, the Conservatives came in second only to the Liberals in popular vote, but fifth party in the House of Commons.

**Seats (percent of vote):**  
Liberal Party: 155 (38)  
Reform Party: 60 (19)  
Bloc Québécois: 44 (11)  
New Democratic Party: 21 (11)  
Progressive Conservatives: 20 (19)  
Others: 1 (2)  
Turnout: 66.7 percent

## Prairie populist becomes leader of the opposition

Tim Cornwell  
Los Angeles

Preston Manning becomes the leader of Canada's official opposition today, with his Reform Party taking an extra six seats to push ahead of the weakened Bloc Québécois.

In small ways - becoming first in the queue to ask parliamentary questions, for example - it will elevate the status of a man who has become the voice of Western discontent. Mr Manning signally failed in his election master strategy to push his support east into Ontario, and so undercut the Liberal's majority. While he established that Reform was more than a one-bit wonder, after it emerged from almost nowhere four years ago, its support is now almost exclusively regional.

Mr Manning became a *bête noire* in the closing weeks of the election when he accused the other parties of pandering to

Quebec by accepting it as a "distinct society" within Canada. But the tactic shored up his support in his Western powerbase in British Columbia and Alberta, where the party's grip on seats had shown signs of slipping.

He had called for a series of debates on Canadian unity similar to the seven debates on the future of slavery between US President Abraham Lincoln and Illinois Senator Stephen Douglas. They came three years before the American Civil War.

If Quebec left Canada, he said, other provinces should hold their own referendums on independence. Prime Minister Jean Chrétien accused him of appealing to the "dark side", pushing the buttons that divide. The Democratic Party leader, Alexa McDonough, said where Mr Manning's policies "would lead us in this country is straight into a civil war".

Mr Manning, 54, is usually cast as the "prairie populist", raised on an Edmonton dairy farm and steeped in fundamentalist Christian values. Skeptics say most of his childhood was spent in the back of his father's limousine. He was two when his father, Ernest, began 25 years as the Premier of Alberta. The son was undoubtedly raised as a political animal. But while the father ran the local government and was never in opposition, the son ran for office in Ottawa and has never been in power. Elected as Reform leader in 1987, he revamped his image for this election from "geek to sleek".



Preston Manning: Bête noire

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## international

# California arrests over chip take-away

Tim Cornwell  
Los Angeles

Seventeen suspects have been indicted for armed robbery in connection with America's biggest known theft of computer chips, a haul more valuable than guns, heroin or gold. California prosecutors linked the suspects to Asian organised crime gangs, who have been blamed for masterminding a spate of US raids.

The 17 were charged with robbing Centon Electronics in Irvine, California, east of Los Angeles, known as one of the safest cities in America. They escaped with a haul of computer chips and motherboards that was originally valued at \$5 million, but later upgraded to double that sum. It was believed to hold the record as the biggest such robbery in the US, a spokesman for Nora Manella, the US Attorney for the central district of California, said.

Two of the suspects were ethnic Chinese, one Cambodian, and fourteen of Vietnamese origin. "All are linked to Asian street gangs, or larger organised crime enterprises," the spokesman said. But there was no indication that the robbery had been ordered by crime syndicates outside the country, as has been suggested in other cases.

About a dozen young men took part in the late evening raid in May 1995, witnesses said, arriving at the door of Centon Electronics smartly dressed in sport coats and ties, in a rental truck and two cars. They forced their way inside at gun point, and forced employees to lie face down on the ground. No-one was hurt.

They carried off boxes of computer chips varying from one to 30 megabytes. With the chips valued at the time at up to \$1,200 a piece, they were

worth more than gold by weight. Since the raid, 53 others, as well as these 17, have been arrested on suspicion of having some kind of connection with the raid.

Most of the chip robberies have taken place in Silicon Valley, to the north, where being held up at gunpoint became a hazard of life for some executives. A joint task force from Washington, Oregon and California, the three West Coast states, was set up to break the silicon trade.

Stolen electronic components enter what is called a "grey market". Manufacturers chasing chips in short supply turn to independent middle men with few questions asked. Companies in both Britain and the US have been targeted.

When the phenomenon first raised its head, firms were often reluctant to release details of their losses, and many were suspected of being inside jobs. But as Asian gangsters appeared to make the crime their speciality, the US computer industry, allied with the FBI and big insurers, went on the offensive. Firms pooled intelligence and marked serial numbers on the most valuable chips.

In Silicon Valley, more than 500 federal and local law officers took part in a dawn raid last year dubbed Operation West Chips that rounded up more than 50 people, mostly Vietnamese immigrants. Last year 24 suspects in the Centon raid were indicted in San Francisco, and another 20 in San Jose, the capital of Silicon Valley. A further nine suspects were indicted earlier this year in Portland, Oregon.

Eleven of the 17 named in Monday's indictment were also charged in connection with a second robbery, in which \$400,000 worth of chips were taken.



A water slide at a northern California amusement park collapsed on Monday, injuring at least 31 people, many of them teenagers on a high school graduation

trip, *Reuter reports*. Six suffered life-threatening injuries when part of the 40-foot tall slide collapsed at Waterworld USA, in Concord, about 30 miles north-

east of San Francisco. Witnesses said people came crashing down when the slide collapsed, turning a pool of water red with blood. Photograph: *Reuter*

## Senior US officer retires over adultery allegations

Concern is rising that the issue will cut a swathe through America's military

Mary Dejevsky  
Washington

As a new attitude of "zero tolerance" towards sexual misdemeanours sweeps the US military, the commander of a Maryland army training centre that has seen a spate of sexual assault cases is to retire early after admitting to an extra-marital affair. Major-General John Longhouser, a graduate of the elite West Point military academy, a much-decorated Vietnam veteran and a married man, will retire as head of the Aberdeen Proving Ground with reduced pension privileges after his affair was reported to a military hot-line.

The disclosure about Gen Longhouser comes barely a week after the resignation from the US air force of Kelly Flinn, the first female B-52 bomber pilot, who narrowly avoided court martial for adultery and disobedience. Ms Flinn's lawyer had claimed that the military was guilty of double standards and said he had names of senior officers whose adultery had gone unpunished.

The retirement of the commander is the latest sign that a toughening of discipline relating to sexual relations in the military could cause the early departure of some very senior officers. At the end of last week, just as 36-year-old Ms Flinn was packing her belongings to leave the air force for good, three separate cases came to light involving senior members of the US armed forces.

One concerns the top legal officer of the US armed forces, William Coleman; the second, a two-star Admiral, R.M. Mitchell, who supervises the navy's supply system; both are accused of harassing female subordinates. The third is that of Brigadier-General Stephen Xenakis, head of army medical operations in the south-east

command, who is accused of an improper relationship with a civilian nurse. Both Mr Coleman and Admiral Mitchell have denied the accusations against them, but have been forbidden to comment until the investigations are complete. Their feelings were summed up by Mr Coleman who said: "I'm not at liberty to comment; I'd love to, though."

The case of Kelly Flinn, who admitted having an affair with a married civilian, lying about it and disobeying an order to break it off, became a national cause celebre and brought claims that men in the forces tended to be punished less severely than women, if at all, for sexual dalliances, while senior officers tended to be treated more leniently still.

The chief of staff of the air force, in remarks that were widely endorsed, denied that she had been severely treated, saying that it was unthinkable to have a pilot who disobeyed orders flying a plane capable of carrying nuclear weapons.

After Ms Flinn agreed to accept a general discharge in lieu of court martial, however, newspaper columns and radio talkshows were immediately filled with complaints about individuals, including high-ranking officers, unnamed - whose sexual escapades had gone unremarked and unpunished.

The current mood in the military is such that every allegation of sexual misconduct of whatever kind is likely to be followed up, and the result risks cutting a swathe through the US officer corps. As one Pentagon official was quoted as saying in relation to the retirement of Gen Longhouser: "Where does this end? It's terrible that it's come to the point where a distinguished soldier like Gen Longhouser has his career ended by something like this... Does this make any sense?"

## Americans seek head of public enemy number one

Mary Dejevsky

An atmosphere of public vengeance reminiscent of the lynch mob will surround the reconvening of the court in Denver, Colorado, today for the sentencing hearing of Timothy McVeigh. From relatives of his victims to the over-excited self-righteousness of the American media, the message is unanimous: show no mercy.

The man whose truck bomb killed 168 people and destroyed much of the Oklahoma City federal building on 19 April, 1995, has become the vanquished public enemy number one, worthy of nothing except the electric chair. From the moment that the verdict on McVeigh - guilty on all 11 counts, from conspiracy to use a weapon of mass destruction to first degree murder - was announced on Monday afternoon, there was an immediate, and distasteful, show of euphoria.

Relatives of some of the victims, waiting outside the Denver courthouse, jumped for joy, shouting their delight. "Yes, yes," shouted one man, punching his fist in the air, while the mother of one victim said: "I want the death penalty. An eye for an eye. You don't take lives and get to keep your own."

The prosecution lawyers were cheered as they left the court-

house, whereas McVeigh's lawyer was booed and whistled. For the first time in living memory, America had to deal with a successful act of mass terrorism committed by one of her own: a white, all-American boy, who served his country in war, and professed to patriotism.

America has had presidents assassinated, it had the New York Trade Center bombing, which was attributed to Middle Eastern terrorists, but rarely has it had civilians killed, en masse and deliberately, by a fellow-countryman.

What is more, McVeigh was not a random killer. He was a patriot, however distorted, and he had a cause: the destruction of the state. One of the arguments his counsel is expected to use in mitigation is that he was outraged by the killings of militia members at Waco in Texas the previous year, and believed that he was avenging their deaths. Waco, for him, was evidence that the state was corrupt.

This is a feeling of hostility and alienation not unknown to soldiers returned from an unpopular war and one that can foster revolt. It is shared by the dozens of unofficial militia groups dotted around the United States. McVeigh himself was said during the trial to have planned that his act would trigger a nationwide revolt.



McVeigh: Patriot with a cause

However, unrealistic this ambition, it characterises his crime as a conscious act of rebellion, not - as would be more comforting for America to believe - a random act by a deranged individual.

There was another, more positive reason why this trial attracted the avid attention and aroused the emotions it did. It was the first big trial of national interest since the trial of OJ Simpson.

In many ways, it turned out to be an honourable opposite of that trial. Already, it is being hailed as a model of how the American judicial system ought to work, starting from the decision to hold it elsewhere than Oklahoma City, to the care with which the jury weighed the evidence. The proceedings took only five weeks: there were few side arguments and challenges. There was none of the media circus that attended the OJ Simpson trial.

But, as the response to the verdict so clearly illustrated, the comparison of the two trials is not quite valid. The OJ Simpson trial divided America along the particularly sensitive line of race. The trial of Timothy McVeigh, may have put America back together again, but the simplistic cry for vengeance it provoked was not entirely to its credit.

## Britons airlifted to safety

Christopher Bellamy  
Defence Correspondent

British diplomats who have manned the High Commission in Sierra Leone since a coup plunged the country back into anarchy 10 days ago were yesterday evacuated by US Marines in the final airlift out of Freetown, capital of the chaotic West African state.

A spokesman aboard the assault ship USS *Kearsarge* said the evacuation was complete. About 1,200 people were airlifted from the assembly point in the Cape Sierra hotel in Freetown. The Foreign Office

said at least 160 Britons were among them, and they hoped all the Britons were now out.

"There will be no further evacuation", the Foreign Office warned remaining Westerners yesterday morning. "The British High Commission Staff will leave Freetown with this evacuation. All British and American nationals who think it is safe to do so should make their way to the Cape Sierra hotel as soon as possible."

The USS *Kearsarge*, which was initially sent to watch western and central Africa as Laurent Kabila's forces pressed westwards through Zaire last month,

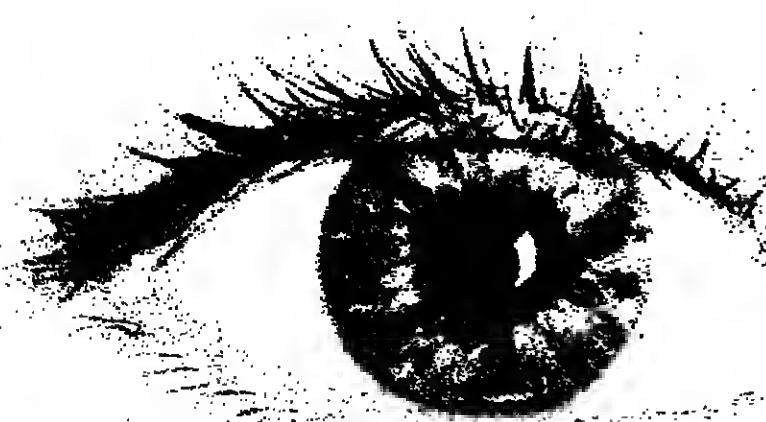
returned to Freetown yesterday. On Friday, 800 foreigners were airlifted to the carrier by helicopter. After dropping them in Conakry, in neighbouring Guinea, the ship reappeared off Freetown yesterday morning for the final airlift.

Acting Major Lincoln Jopp, 28, of the Scots Guards, was hit by shrapnel from a rocket-propelled grenade in the Mammy Yoko hotel complex on Monday. Sierra Leone rebels had been exchanging fire with Nigerian troops who are part of a West African peace-keeping force. Major Jopp and Peter Penfold, the High Commis-

sioner, were among the Britons taken aboard the *Kearsarge* by helicopter yesterday.

At least 10 people were taken aboard the helicopters on stretchers, including one who was on drugs.

The Mammy Yoko was used as the assembly point for the previous evacuation. But it became untenable after the 50 Nigerian soldiers guarding it came under attack from rebels. Before dawn yesterday the remaining Westerners made the 15-minute walk in darkness to the Cape Sierra, which a MoD spokesman described as a "quieter hotel".



هكذا من الأصل



# Hong Kong 香港 handover

## Class of '97 put careers before politics

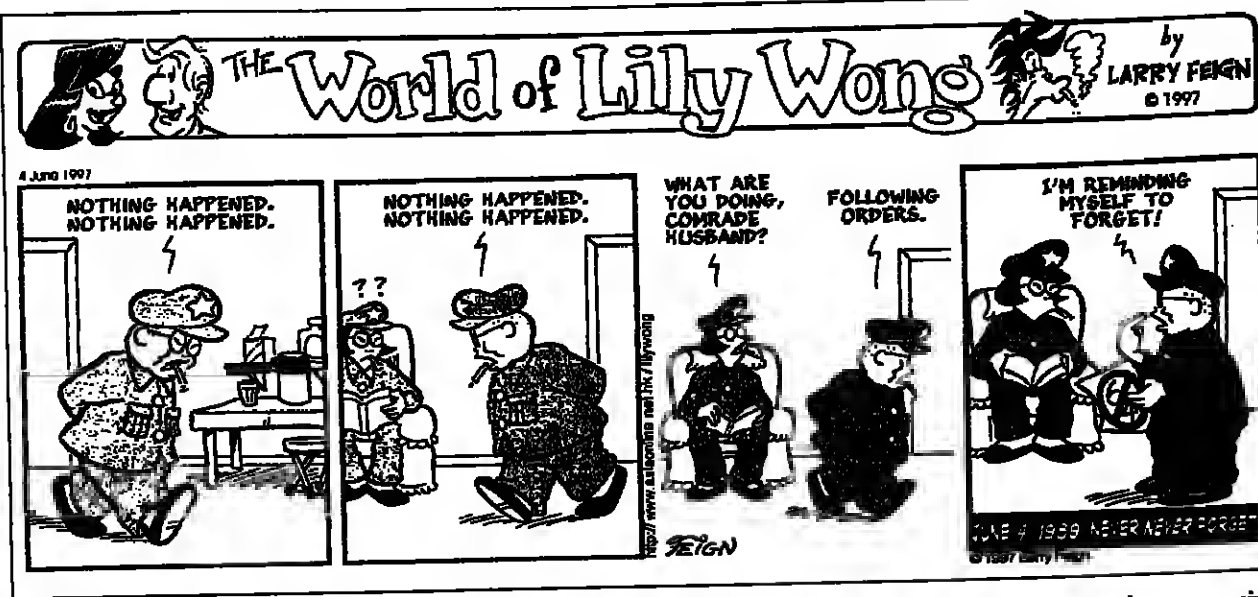
Teresa Poole  
Peking

Eight years since the tanks rolled in and crushed the pro-democracy protests on 4 June 1989, groups of students can again be seen in Tiananmen Square - only this time they are part of a wave of patriotism which is sweeping China in the run-up to the return of Hong Kong. Under the watchful eye of the police, classes of students and schoolchildren line up to have their photographs taken in front of the electronic countdown clock at the side of the square, before going into this month's Hong Kong exhibition at the adjacent Museum of the Revolution: "Wash away 100 years of humiliation, happily celebrate the return of Hong Kong", reads the banner over the entrance.

The surge of Chinese nationalism is almost tangible as 30 June approaches, yet the government has nevertheless left nothing to chance for today's unmentionable anniversary. By

yesterday morning, more than a dozen public security vehicles were parked along one side of Tiananmen Square and others in the centre, while pick-up trucks and a fire engine stood by just in case. Despite unseasonably rainy weather, security was much higher around the square than last year. This is the first anniversary since the death of Deng Xiaoping in February and, with just 27 days to go before the Hong Kong handover, the government wants no unpleasant surprises.

The question, as ever, is who is the Chinese government so scared of? Not China's best-known dissidents, all of whom are in jail. Not the hundreds of ordinary people - Amnesty International has a list of more than 300 - who remain in prison for their activities in 1989; their relatives have learned that it is prudent to keep quiet. Not the families of some of those killed in 1989, who once again this year have petitioned the National People's Congress for



an inquiry into the shootings: they will be ignored once again. And probably not today's students, for whom burgeoning career and overseas study opportunities now take priority over any doomed attempt at

political agitation. The younger generation in China are precisely those who will benefit most from the country's rapid economic development over the past eight years, provided they keep their heads down.

The biggest worry for the Chinese government in the late Nineties comes from two very different sources: Uighur Muslim separatists in Xinjiang province, and millions of state-owned enterprise workers who

are now surplus to requirements. Bus bombs in Xinjiang and Peking this year have been blamed on the Uighurs, and the government is terrified of similar attacks in the run-up to the Hong Kong handover. China

has little experience of dealing with such terrorism.

The people most likely to stage any sort of public demonstration nowadays are the urban unemployed, a phenomenon which did not really exist back in 1989. A vice prime minister, Wu Bangguo, said this week that by the end of March there were more than 9 million unemployed urban workers in China, and nearly 11 million more who had not been paid or only partly paid. Nearly half of China's state-owned enterprises are losing money.

Social stability is thus the Chinese government's priority, and Amnesty International's call this week for a reassessment of the 1989 crackdown as something other than a "counter-revolutionary" protest looks overly optimistic.

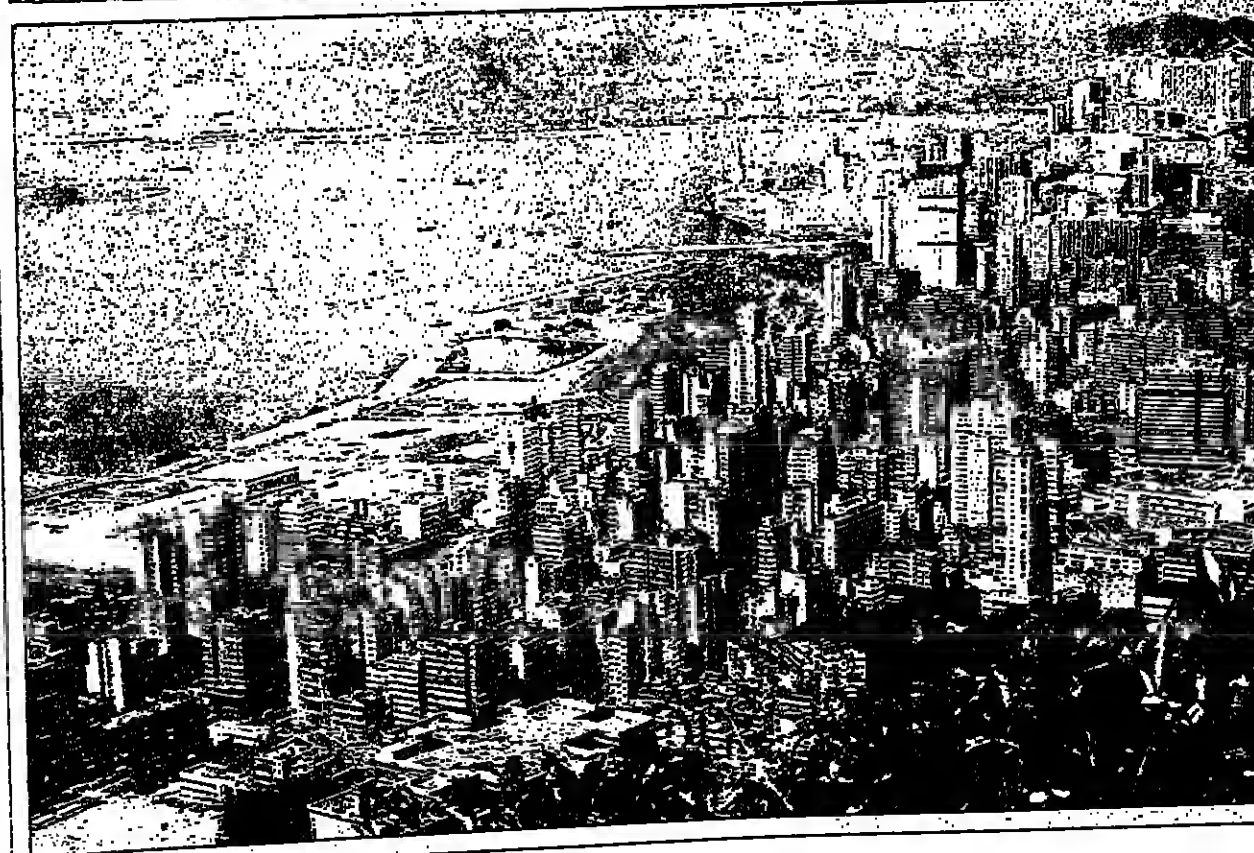
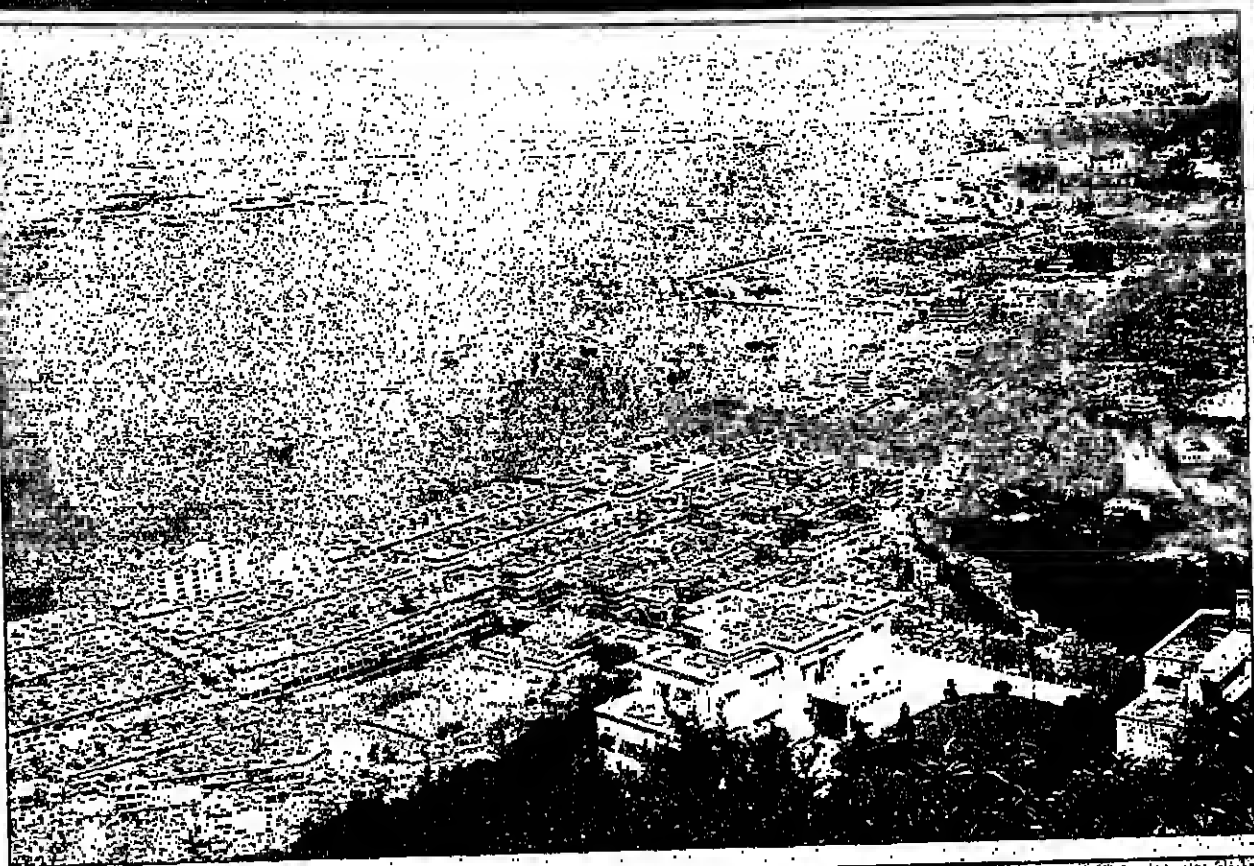
The only isolated example of jail sentences being reviewed has been in the north-east province of Jilin, where a court last week quashed the conviction of four dissidents for organising a "counter-revolutionary" clique in 1989.

Other charges against three of the men were upheld. The two men still in jail will be released next week after serving eight years.

Amnesty would like to see a far more wide-ranging reassessment. "Following the death of Deng Xiaoping, the new leadership should take the opportunity to re-evaluate the events of 1989 and end the distorted and inaccurate propaganda of the last eight years. The victims and their families deserve the truth at long last, rather than the harassment, surveillance and attempts to silence their brave struggle for truth and justice," Amnesty said in a statement yesterday.

In reality, Mr Deng's heirs need his legacy in order to boost the chances of their own political survival. President Jiang Zemin is positioning himself carefully before this autumn's full Communist Party Congress, and the top leadership will have convinced themselves that now is an inappropriate time for anyone to start rewriting history.

### The rise and rise of Asia's capitalist heaven



These views might be of three different cities: a sleepy little port, a bustling town on its way up, and a 21st century megapolis. But these are views of the same part of Hong Kong, looking down from the hills above the harbour to the city

below. The top one was taken in 1957; the second, in 1977; the third in 1997, the year that Hong Kong is to return to China. Visitors to Government House, Chris Patten's residence, are reminded that once, the Governor could

assess the level of prosperity in Hong Kong by counting the ships in the harbour. Now, you cannot see the harbour from Mr Patten's elegant house.

Photographs:  
Alan Armstrong-Wright

### Pillar of shame highlights Peking crackdown

Hong Kong's defiant democracy movement prepared for a series of mass rallies to condemn Peking's bloody 1989 Tiananmen crackdown, just 28 days before China moves in to retake control of the British colony, Reuters reports.

Activists were busy in Hong Kong island's biggest park putting the final touches to the "Pillar of Shame", a sculpture of twisted bodies symbolising oppression.

Activists have locked horns with civic authorities over the sculpture, by Danish artist Jans Galschiort, accusing local leaders of censorship for refusing to let them display the 27ft statue in parks after the rallies end.

"Our application on the setting up of the Pillar of Shame in our parks was rejected for political reasons," said Mak Hoi-wah, a rally organiser.

Leung Kwok-hung, one of the

organisers of the demonstrations, said he was expecting 40,000 people at a candlelit vigil in the park to remember those who perished.

A handful of demonstrators gathered late yesterday across the road from the Chinese mission, putting up a wreath and lighting candles. They hung banners that said: "The heroes from the people never die. Homage to the martyrs of the democracy movement" and "Turn the anger into power and end the one-party dictatorship".

In 1989, a million people flooded Hong Kong's streets in horror over Peking's brutality.

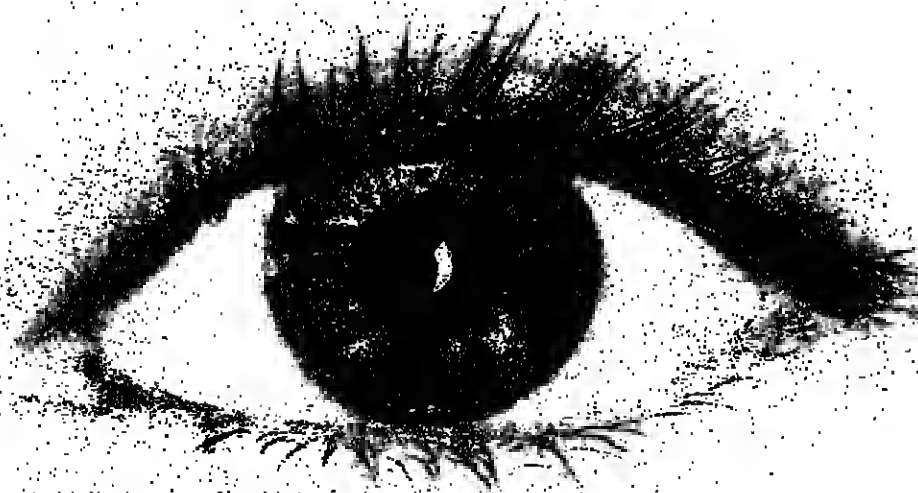
On Monday, Hong Kong's future leader, Tung Chee-hwa, said it was time to forget Tiananmen.

And he criticised the Hong Kong Alliance in Support of Patriotic Democratic Movements in China, the main organiser of pro-democracy protests, branded as subversive by Peking.



Visual protest: The statue, 'Pillar of Shame', is placed in Victoria Park, Hong Kong yesterday. Photograph: AP

Advertisement





## international

## Bundesbank chief cracks whip on gold deal

Imre Karacs  
Bonn

The German government yesterday sued for peace in its war with the mighty Bundesbank, and struck a "compromise" that was little short of unconditional surrender.

Frankfurt could keep its cursed gold for now, the Finance Minister, Theo Waigel, grudgingly conceded. The profits from 50 years of German fru-

gality would eventually be grabbed by the greedy state, but not when it needed them most.

Under the new deal, dictated by Hans Tietmeyer, the President of the Bundesbank, the gold and its hypothetical profit will be safely locked away in the vaults until it is decided which countries have qualified for European monetary union.

Mr Tietmeyer swept into Bonn in the morning, and caught the government in the

middle of a backbench rebellion. Three weeks ago, when Mr Waigel had flown to Frankfurt by helicopter to deliver the edict, the Bundesbank was forced to eat humble pie. Now Mr Tietmeyer was the guest, and that was not the only change of role.

The unelected civil servant, invoking the popular will, was facing a representative of a government no longer assured of its majority.

Two MPs had defected to the Bundesbank's side at the weekend. By yesterday morning, dozens more had informed their whips that their votes could not be relied on.

On the eve of a no-confidence motion, Mr Waigel could only retreat, happily accepting the "compromise" offered by the Bundesbank.

The book value of the gold, worth about DM50bn (£18bn), would be brought in line with

today's market prices. But while the revaluation would take place this year, two years earlier than planned, the proceeds would only flood into the state coffers next year.

The profits of the Bundesbank board will not be used, therefore, to massage the state's burgeoning debts in the qualifying year for EMU, and Germany will remain on course for busting the Maastricht criteria.

Mr Waigel now needs to find

DM10bn to balance the books before the great European weighing-in early next year.

With borrowing banned by Maastricht itself and further taxes ruled out by coalition partners, the German government is expected to go for a clear-out of the family silver, starting with shares in state-owned companies.

The sums may still fall short of requirements, but the question of whether Germany will be

able to perform its limbo-dancing feat is no longer the greatest concern.

Another senior Bundesbank figure, Edgar Meister, warned yesterday that Mr Waigel's confidence-destroying alchemy had already brought the timetable of monetary union into question. Germany's failure to keep the books straight has opened the floodgate to what German politicians contemptuously describe as "Latin" trickery. The

smart money in the markets is on a soft euro; a cheap imitation of the once rock-solid Deutschmark.

It remains to be seen whether the Bundesbank, which has again demonstrated its virtual right of veto over the project, can live with that. There may yet be a secret clause to the devil's pact struck by Germany's two most powerful money-men: one dictating the exclusion of Italy at all costs.

## Jospin picks clean team to wipe out legacy of scandal

John Lichfield  
Paris

The Socialist leader and new French Prime Minister, Lionel Jospin, is today expected to signal a break with the financial scandals of both the left and the right by announcing a cleaner-than-clean cabinet.

Mr Jospin is determined to exclude anyone who is under investigation, or even suspicion, for financial wrongdoing. As part of his drive to set a new, less imperial style of government, he will also insist his ministers abandon the French habit of accumulating regional and national political posts. No one will be allowed to be both minister and mayor of a town or city.

The great unknown last night was whether the government would include Communist ministers. Mr Jospin and the Communist leader, Robert Hue, are keen that it should. Mr Hue was last night trying to win over doubtful colleagues who believe a formal coalition with the

But Delors to turn down ministerial role and stay as adviser on EU

Socialists would be an ideological, or tactical, error.

It now seems likely that the former European Commission president, Jacques Delors, will turn down the chance to be minister for foreign and European affairs. Socialist officials say Mr Delors, 71, has informed Mr Jospin that he would prefer to remain a background adviser on relations with the European Union, so he may still return to the scene as an *eminence grise*. The resurfacing of Mr Delors will delight those who regard him as one of the last inspirational figures committed to European integration.

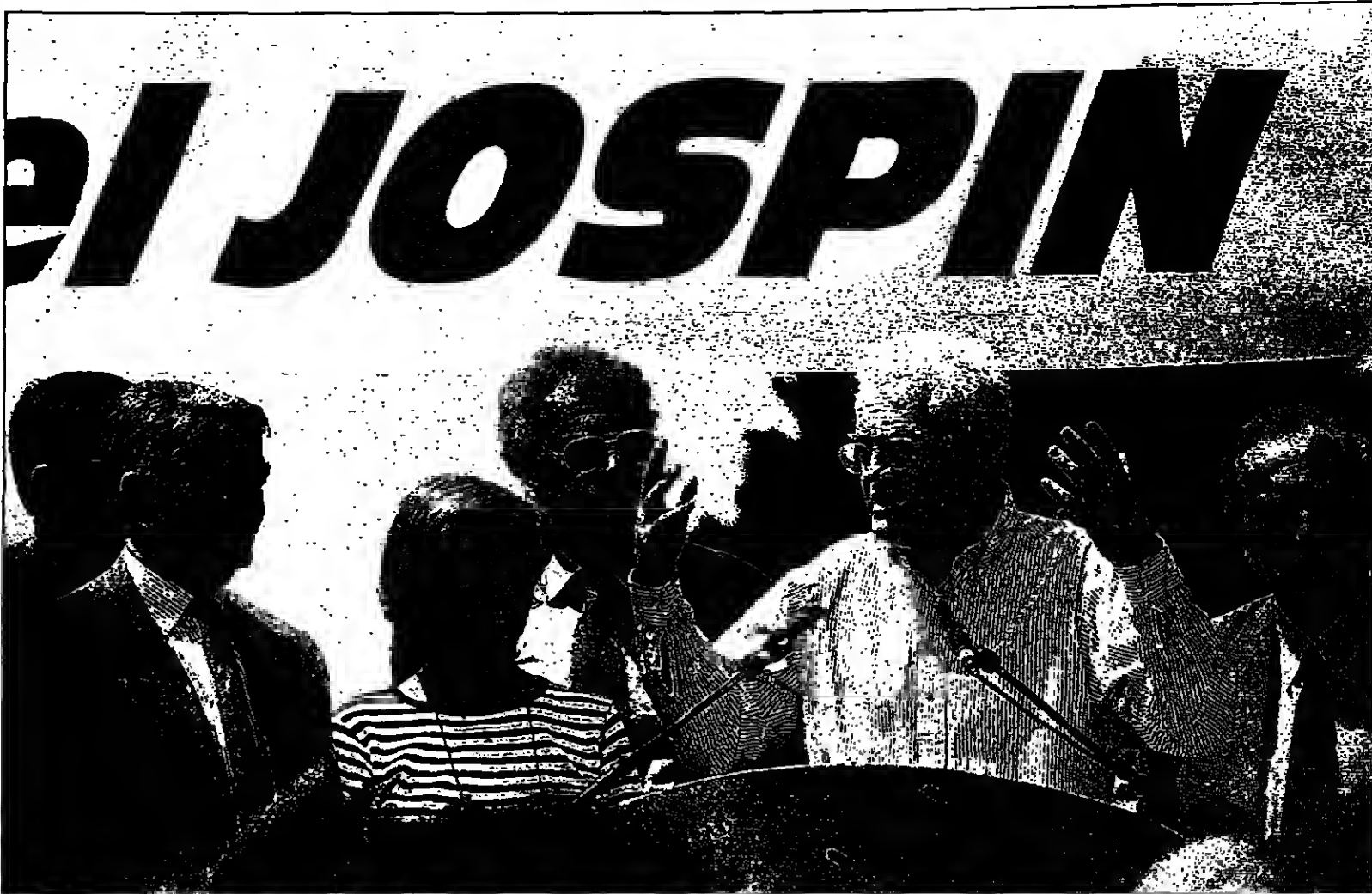
One of the first leading Socialist figures to visit Mr Jospin yesterday after he moved into the prime ministerial mansion,

the Marignol palace, was Laurent Fabius, who was briefly prime minister in the 1980s.

It is believed that Mr Fabius may be offered the job of parliamentary president (a more political post than Speaker of the House of Commons) or Foreign Minister.

Other leading Socialists tipped to be included in the cabinet are Dominique Strauss-Kahn (finance) and Martine Aubry. Mr Delors' daughter (employment). Mr Jospin will also appoint France's first Green minister, or even two Green ministers. The Greens, who made an electoral pact with the Socialists and won eight seats, have agreed to be part of the government but made it clear yesterday that they expect at least "one large, technical ministry" and one smaller post.

The appointments to the foreign and defence ministries will be examined with special attention. These are two areas in which the constitution gives the President direct influence and it is expected that Mr Jospin will appoint people who will meet the approval of Jacques Chirac. Mr Delors would have been a useful choice, since he qualifies these days as virtually a national treasure. However, it seems the former Commission President was



Reaching out: Jospin, on the campaign trail with Socialist colleague Elisabeth Guigou, wants to banish corruption

Photograph: Brian Harris

reluctant to upset this status by getting involved in what may be messy negotiations on the future of one of his own creations, the European single currency.

The defence appointment may give some clues as to how the Jospin government will deal with another piece of unfinished business - France's declaration

that it may rejoin the military structures of Nato. The Socialists criticised this move in opposition. President Chirac himself seems to have lost some of his initial enthusiasm. The likelihood is that a decision, due this month, will be postponed.

Another open question is whether Mr Jospin, known as

one of the cleanest men in French politics, will use his new office to pursue vigorously the financial scandals bubbling away in the centre-right parties. The new Prime Minister has promised to strengthen the independence of the judiciary. This may speed up several investigations which were held

back by the former government. Mr Jospin has been quoted as saying in private, however, that he sees no point in letting all the skeletons fall out of the centre-right's cupboard, as it would only serve the interests of the far-right National Front.

■ Paris — The Paris prosecutor's office opened an investi-

gation into suspected abuses in public works contracts under the Gaullist-led Paris regional council, *Reuter reports*.

They said the investigation targeted contracts awarded by the Ile de France regional council, headed by Michel Giraud, a senior member of Mr Chirac's Gaullist RPR party.

NEWBURY Building Society			
Revised Interest Rates			
The new rates of interest effective from 4 June 1997 on Newbury investment accounts are set out below.			
Current Accounts			
Treasure Plus	£1,000-£9,999	4.70	3.20
	£10,000-£24,999	5.05	4.04
	£25,000-£49,999	5.55	4.44
	£50,000 and OVER	6.05	4.84
Instant Premium	£500-£4,999	3.60	2.88
	£5,000-£9,999	3.80	3.12
	£10,000-£24,999	4.20	3.44
	£25,000 and OVER	4.65	3.72
Newbury Monthly Income	£2,500-£9,999	4.45	3.59
	£10,000-£19,999	CAR 4.54	CAR 3.65
		CAR 5.05	CAR 4.33
		CAR 5.55	CAR 4.41
TESSA 95 & Follow-Up TESSA		6.70	5.40
YoungSaver	£1-£999	3.20	2.56
	£1,000-£4,999	3.60	2.88
	£5,000-£9,999	3.80	3.12
	£10,000-£24,999	4.20	3.44
	£25,000 and OVER	4.65	3.72
SeniorSaver	£500 and OVER	4.20	3.44
		CAR 4.30	CAR 3.46
Paid-up shares		1.60	1.28
Closed Accounts			
Tower Account		3.45	2.76
Tower Monthly Income		3.40	2.72
OverseasSaver	£1-£999	2.70	-
	£1,000 and OVER	3.20	-
TESSA 95		6.70	5.40

## Israeli left pins hopes on army man

Patrick Cockburn  
Jerusalem

Still traumatised by its defeat a year ago, the Israeli Labour party hopes that by choosing as its new leader Ehud Barak, the former chief of staff, it will have found the candidate who can replace Benjamin Netanyahu as Prime Minister in three years' time.

Labour believes that Mr Barak is the man who most resembles politically and personally its former leader, Yitzhak Rabin, another ex-chief of staff, who was assassinated in 1995.

Three years earlier, Rabin won Labour's first victory in 15 years by persuading voters he could both deliver peace with the Palestinians and guarantee Israeli security. Mr Barak's supporters argue that he has only to attract a few votes from the



Barak: Labour strategists see him as another Rabin

right to repeat Rabin's success. Polls predicted that in the primary elections yesterday Labour party members would opt for Mr Barak, caricatured as "Napoleon" on television because of his size and meteoric career as Israel's most decorated

soldier. He will replace Shimon Peres, defeated as prime minister last year, but who refused to step down as party leader.

The Labour party is still full of doubts. "Ehud Barak is an unknown quantity," says Yossi Beilin, architect of the Oslo accords and his closest rival for the Labour leadership. "He will try to beat Bibi Netanyahu by emulating him and trying to appeal to a centrist vote which I don't believe exists."

Others suspect that Labour's problems may be too deep to solve. "With Barak leading the Labour party, with its whole mission to grab votes from the military right, the Labour party doesn't stand a chance," says Professor Baruch Kimmerling of Hebrew University. "The exercise is so transparent as to be an insult to the intelligence of the public."

He says the real lesson of the 1996 election is that most Israeli Jews voted for parties which rejected the Oslo accords.

Political predictions are peculiarly difficult because of the fragmentation of Jewish society. Electing the prime minister separately has strengthened the small parties (it was meant to do the opposite). The third largest party in the Knesset is now Shas, a religious party drawing support from Jews whose families came from the Middle East. Nathan Sharansky was able to mobilise many of the 600,000 Russian immigrants behind his new party. The division between secular and religious Israelis is deeper than ever. Ilan Pappé, a political scientist from Haifa University, says: "The main development is that Israel is becoming more Jewish and less democratic."

In such a divided society, Mr Barak, 55, may not be the ideal man to chip away at support for Mr Netanyahu.

Born in a kibbutz called Mishmar Hasharon, he has always been part of the kibbutznik-army-Labour elite. In many ways he is the prototype of the secular Ashkenazi (mostly of East European origin) establishment detested by oriental Jews. Kibbutzniks, always more popular abroad than in Israel, may make up as many as 30 per cent of those voting for the Labour leadership, but they are only 1.8 per cent of the Israeli population.

The strategy which sees Mr Barak as the Labour candidate most likely to beat Mr Netanyahu is probably correct, however. Mr Peres only just lost the election to be prime minister after a miserable campaign.

"I don't think that Labour has lost its last chance to win," says Professor Emanuel Gutman, a political scientist at Hebrew University. "Last time there were only a few tens of thousands of votes in it. Labour lost the election because of the four suicide bombs."

Many in the Labour party believe that with any candidate less fumbling than Mr Peres they would have won last year. Mr Netanyahu is distrusted by many Israelis not on the left. His first year in office has seen a series of crises and the disruption of negotiations with the Palestinians by building the Jewish settlement at Har Homa.

The real objection to Mr Barak is that he would not know what to do with victory. "Nobody can disagree with his views because nobody knows what they are," says Mr Beilin.

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هَذَا مِنْ أَلَامِل



# Bombs and terror help Berisha cling to power in Albania poll

As election day nears, the country's loathed President is resorting to violence to remain in office.  
**Andrew Gumbel**  
in Tirana reports

There could have been no clearer indication of how Albania's much-loathed president, Sali Berisha, intends to cling on to power. On Sunday, his most loyal newspaper, *Albania*, announced that the Café Freskia in the centre of Tirana was about to be blown up as an act of revenge against its owner, Lush Perpali, who just happens to be deputy interior minister and a member of Mr Berisha's least favourite political party, the Socialists.

The next day, a bomb duly exploded in an upstairs toilet of the café, devastating the prefabricated wooden structure and injuring more than 20 people. The same evening, there was another explosion at Tirana's main bus station, just a few minutes before curfew, injuring another nine.

With less than four weeks to go before general elections that the overwhelming majority of Albanians hope will see off Mr Berisha for good, an unmistakable strategy of terror is being waged, and the President is making little or no effort to cover up the role he is playing in it.

The President's own guardsmen have been caught time and again provoking exchanges of gunfire after dark, deepening the climate of fear gripping the country and providing an excuse to extend the state of emergency that makes normal election campaigning impossible.

The guards have been used, too, for more sinister purposes – attempting to quell an anti-presidential revolt in the town of Cerkir two weeks ago in contravention of their constitutional role, and then bursting into Tirana's main hospital and opening fire in anger because one of their injured men had died there.

Such behaviour has cast a net of deep gloom over the country, with many Albanians convinced that Mr Berisha and his Democratic Party will throw this month's elections just as surely as they cheated their way to victory at the last elections a year ago.

"Berisha's mentality won't permit him to admit defeat and go quietly. He would rather destroy the country than relinquish power," said one young Tirana lawyer. As the eccentric ecologist politician Namik Hoti put it: "The only way to get him off his horse is to shoot him off."

At first glance, the fatalism seems amply justified. Since the height of the popular revolt in March, when Mr Berisha was on the verge of fleeing the



Mayhem: A bloodstained waiter views the wreckage of the Café Freskia in Tirana after a bomb blast which injured 20

Photograph: Reuters

country, he has clawed his way back to a position of power with considerable ingenuity but scant regard for the democratic renewal that he and the other political leaders are supposed to be working towards.

Forced to accept an all-party government led by a Socialist, Bashkim Fino, Mr Berisha's strategy has been to concentrate as much power in his own hands as possible, taking full advantage of his crushing majority in parliament while it was still sitting, keeping a tight rein on the interior ministry which, under the state of emergency, controls the armed forces as well as the police, and refusing to relinquish his grip on the secret police.

As a result, Mr Fino has failed to impose any real authority and behaves like a man permanently terrified of the spies and secret agents in his midst. "Berisha has deliberately created a parallel authority. Every time the government tries to do something, he blocks it," complained Fatos Nano, leader of the Socialist Party and the man most widely tipped to replace Mr Berisha if the elections run even half-way smoothly.



Sali Berisha: 'Would rather destroy Albania than relinquish power'

Mr Berisha's men have even gone so far as to block Mr Fino himself, opening fire on his convoy as he travelled to the northern city of Shkoder a few weeks ago. When the police chief of Shkoder attempted to prosecute the men he was convinced had staged the ambush, he was stripped of his post and

is now living in hiding elsewhere in Albania.

Grim though these events are, Mr Berisha does not have as free a hand as many fear. Essentially, he has three options. The first is to support the democratic process, respect the election results which, it is presumed, will heavily sanction him and his party, and then leave the scene. The events of the past few weeks make clear that this option does not interest him.

The second option is to hijack the elections through intimidation, violence and massive vote-rigging. This is what many Albanians fear he will do, remembering last year's débâcle and not ing with dread how, for example, he has begun to replace local police chiefs with his own appointments.

One paragraph in the new election law envisages a complex mechanism of delays in the event of a candidate dying in the last 17 days of the campaign, an open invitation, to some eyes, for Democratic Party loyalists to bump off a few opponents in the closing stages.

But this option, even if it were feasible, would be suicidal. Mr Berisha can be sure that if the Democratic Party

tries to claim victory in the election, the revolt that almost toppled him in March will resume. Unlike last year, the international community is on its guard and the Albanian people are armed to the teeth.

The smartest thing for Mr Berisha, and the option many commentators believe he favours, is to aim for around 30 per cent of the vote – using intimidation and force as necessary – to ensure that neither he nor the Democratic Party can be quashed by constitutional means. He might even be able to wangle staying on as president, though as an insurance policy he is also standing for parliament.

In some ways this is the most sinister prospect for Albania, because the country, and the new government, might end up every bit as hamstrung by Mr Berisha as it is in the present transitional phase.

The opposition parties can only hope the country won't allow itself to be derailed in this way. "Laurent Kabila said recently he would not permit Zaire to become another Albania," Mr Nano said. "Well, we don't want Albania to become another Zaire."

## significant events

### Swiss banks find \$3m of Mobutu's fortune

Switzerland's secretive banks have found only \$3.4m in toppled Zairean ruler Mobutu Sese Seko's assets, including shares, securities and a safe deposit box, banking watchdogs said. The sum, a fraction of the billions Kinshasa says Mr Mobutu has stashed away, was immediately disputed by a government critic who predicted a long legal wrangle over the deposed dictator's controversial fortune. Reuters – Geneva

### Alliance takes on Taliban

The Taliban Islamic army sent fresh troops to its front lines in western Afghanistan to fight a new, larger enemy alliance. The expanded alliance – calling itself the National Islamic Front for the Deliverance of Afghanistan – adds forces loyal to Afghanistan's former prime minister Gulbuddin Hekmatyar and a small royalist party to the mix of minority ethnic groups already fighting the Taliban in the north. AP – Kabul

### Poison threat to Olympic venue

Greenpeace said it had discovered more than 50 drums containing highly toxic dioxin waste at a site on the shores of Homebush Bay, adjacent to the Sydney 2000 Olympic Games venue. Matt Rucchi, a spokesman for the environmental group, said the drums contained dangerous levels of dioxin and many were in poor condition. The site is 2km from the site of the main Olympic stadium and close to the Olympic ferry terminal. AP – Sydney

### Dylan leaves hospital

Rock legend Bob Dylan has been released from an undisclosed hospital where he was treated for a potentially fatal infection. "I'm just glad to be feeling better. I really thought I'd be seeing Elvis [Presley] soon," Dylan said through a Columbia Records spokesman.

Dylan's Los Angeles publicist, Elliot Mintz, said the singer was discharged at the weekend and was expected to recover fully in four to six weeks – in time to begin the North American leg of his concert tour in August. Reuters – Los Angeles

### Boost to Robinson

Finland's former defence minister, Elizabeth Rehn, said she had withdrawn her candidacy for the UN High Commissioner for Human Rights, leaving Ireland's President Mary Robinson as the main candidate for the post. Ms Robinson's candidacy received a boost last Thursday when Sonia Picado, Costa Rica's ambassador to Washington, and a leading contender, said the UN secretary-general, Kofi Annan, had not offered her the job. Mr Annan is not expected to announce his decision until July. Reuters – New York

### Peking defends arms to Iran

China yesterday defended what it called transfers of small amounts of conventional weapons to Iran, describing them as appropriate and legal. Reuters – Peking

### Amie banned in Russian bases

Russia's new defence minister has banned American "spray 'em and slay 'em" action movies starring Arnold Schwarzenegger and Sylvester Stallone from Russian Army bases after a spate of shootings by crazed Russian soldiers. General Igor Sergeev banned the showing of the action movies last week after a soldier went berserk in Siberia, killing six. Although the Russian military has been suffering from starvation, desertion and corruption and has not been paid for months, the Defence Minister puts the blame squarely on Western media. In the worst incident recently, on Monday, a member of Russia's peace-keeping forces in Georgia shot 13 comrades, killing 10 and wounding three others. Christopher Bellamy



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There was no dispute in the present case that the appellant had failed to comply with an enforcement notice issued by the planning authority which in its face complied with the requirements of the Act and it was not been quashed. He was therefore guilty of the offence and the matters he proposed to raise at his trial were irrelevant.

**Kate O'Hanlon, Barrister**

# The ties



# The ties that bind Blair and Jospin together

*Salut les vainqueurs...* if Tony Blair's greeting tomorrow to France's new prime minister Lionel Jospin is anything short of heartfelt and enthusiastic, he will be missing an historic opportunity. The reason for warmth has nothing to do with their rendezvous, a meeting of the Socialist International: that's a largely superfluous talking shop. Ideologically, there is no point in pretending the two are *copains*. In a Britain where the only Keynesians acceptable in official circles are neo-neo, Mr Jospin's "Keynesianism seasoned by Marxism" has a decidedly ancient and foreign air. A quick, smug London consensus has formed, swirling through Labour too, dismissing Jospin as a dinosaur whose election is a mildly irritating irrelevance for go-ahead British modernisers.

That would be a terrible mistake. Jospin and his party should not be underestimated. Nor should Blair greet him cynically hoping that Jospin and his feather-bedded, reactionary supporters will pull Labour's chestnuts out of the fire over European Monetary Union by destroying it. That is the politics of crossed fingers and forked tongues – the sort of politics Paris has always suspected London practises.

In fact, there are good, honest reasons why the two men should embrace in victory. One is women. With Mr Jospin, French national political life begins a gender transformation

akin to that accomplished by Labour on 1 May. Both leaders preside over young, modernising supporters. They share a passionate commitment to getting back into productive employment legions of fellow citizens who have been marginalised in recent years. Their prescriptions may differ but the ambition is the same; their respective efforts to cut youth joblessness will make a fascinating contest.

There is another reason for amity, though in these early days the two men may only dimly realise the scale and significance of their opportunity. Mr Jospin is an "Enarque", a fully paid-up member of the French governing élite. His refined analysis of France in Europe is rooted in his generation's conviction that, when global storms blow, France needs the lodging that European Union alone can provide. People like Mr Jospin are formed by the French state tradition. But for them, above all, European participation is about serving national ends.

How foreign? Not at all. That is the position which New Labour has arrived at. It is a logical, rather pragmatic position with little sympathy for the masochistic (and Hegelian) German view, that Europe is Fate, that European participation is a way of saving Germans from themselves – that if they are not tied down to the deck in Brussels the Lorelei (aggressive nationalism) will lure them to doom.



But the French and British leaders are fated and tied in a simpler way. They are fated to be colleagues, tied together by electoral time-scales. Together they are likely to outlast Chancellor Kohl who, even if he were to win the federal elections next year, is surely unlikely to see out another full term. That is not to imply that some new Franco-British axis against Germany is in the offing – the alliance across the Rhine has permanently entered the French political soul. It is to say that the potential for *entente* is rich and inviting.

But surely that friendship could not

survive the abstention of Britain from EMU? We think it can and will. There are ways in which the non-participation of Britain in the euro could create circumstances in which a Europe-friendly British government could act as broker, arbiter and picker-up of pieces.

Here are two scenarios. In one, things unravel. The German government could withdraw or the Christian Democrats split. The French government could find that expectations for policy change built up in this election explode – though the surveys show a good deal of realism on the French

public's part. Even after fudging, the Maastricht criteria are met only by the Dutch. The euro does not go ahead, at least not before the turn of the century. The Blair government gets through its first term without having to think about re-joining; it approaches the task of rethinking financial co-operation within the confines of the EU with clean hands, and a spring in its step.

In the other scenario Mr Jospin manages to stick with his principal electoral promises, such as abandoning the nationalisation of France Télécom, improving civil service salaries, filling the hole in the social security budget while still producing a 1998 budget that is Maastricht-compatible. Perhaps he will also manage to tack on to Maastricht a political mechanism for controlling the European Central bank. That is a heroic list of achievements. If the new French PM is able to accomplish even half of what is in his party manifesto he will have redefined the intellectual, let alone political, basis of the single currency project. He wants to "socialise" it, in theory giving the European Central Bank a jobs target for its control of the money supply. (If that sounds contradictory, it is.) We may be sceptical. But a French socialist administration that did all that, ensuring the euro went ahead on strange new terms, could hardly be sneered at or ignored.

Either way, Jospin should not be

underestimated; nor should the capacity of the French political élite to adapt to what seems necessary. For better or worse, his fate now becomes entangled with the fate of European integration, and therefore of Tony Blair too. He is not an offshore political bachelor. This may be an arranged marriage, lacking the whiff of political eroticism in the air whenever Blairites and Clintonites mingle. But it is a kind of marriage nevertheless; and Blair should embrace it.

## Parliamentary pots and kettles

Tory leadership contenders protest too much over devolution legislation. Yes, in principle, big constitutional changes ought to undergo lengthy and severe debate. But all Labour wants to do is set a process of consulting the people of Scotland and Wales; there will be scope for substantive questioning later of the means by which they are to have a higher say in governing themselves. Besides, it becomes the Tories to complain, at least until they have expired, over a few months, 18 years' casual use and abuse of parliamentary supremacy. The Tories need to be listened to on parliamentary democracy. But not on this issue, and not yet.

## LETTERS TO THE EDITOR

### Poison of hate that killed Ulster victim

Sir: Parts of Ballymoney are radioactive with hatred. The mob which kicked Constable Taylor to death last weekend was just one small critical mass of this sectarianism built up by years of insidious radiation.

And from where has this radiation come? What influence could have caused such an explosion of barbarism in this outwardly peaceful and once liberal town? Quite simply, the radiation of a few charismatic politicians and others who have preached hate, constantly and loudly, sometimes publicly and more often privately. Violent verbal abuse of Catholicism, of the Pope, of any politician daring to talk compromise or peace. Many of us have watched this uninvited phenomenon, powerless to stop what free speech in a free country makes lawful. Lawful or not, this is the radiation that kills if enough of its poison is spread into enough impressionable minds.

No matter that the great sectarian nuclear reactors, these powerful and sometimes charismatic and colourful politicians, never themselves get directly involved. No matter that they can never be connected directly to, nor ever intended, the thousands of sectarian killings that their emanations have made easier to contemplate. No matter that they are the first to use the megaphones of the press to condemn the murders that blind sectarian hatred has caused. They are still the truly guilty men.

Constable Taylor's widow is no victim of an accidentally gathered drunken mob. Her husband was killed by the unintended explosion of a sectarian time-bomb assembled over many years. Shame on us all. GIL WARNOCK  
Ballymoney, Co Antrim

### How to curb car pollution

Sir: The aim to reduce the volume of traffic by 10 per cent against the 1990 level by 2010 (letter, 2 June; leading article, 31 May) is worthy but subject to the vagaries of human behaviour.

There is a view that people will bear considerable financial pain and practical inconvenience before reducing their reliance on the car. What must be acknowledged is that the first-order problem is pollution, because it is life-threatening. There will only be a guaranteed reduction in pollution if emission limits for vehicles are set by law and rigorously enforced.

First, emission limits should be imposed on all vehicles entering town and city centres. By a specific date only vehicles that meet, say, the Ultra Low Emission Vehicle (ULEV) standard adopted by California would be allowed access. In the longer term, zero emission vehicles would be the only ones within city centres.

Second, makers of all vehicles sold in the UK should be subject to progressively severe Corporate Average Fuel Economy (CAFE) regulations, as imposed in the United States. This legislation would propel manufacturers into the mass production of hybrid fossil fuel-electric or hi-fuel or dedicated compressed natural gas vehicles, which are already in prototype existence.

Of course public transport must also be made an attractive and ultra-



low-pollution proposition. Stringent town and city centre pollution limits would drive bus operators into replacing diesel stock with low to zero emission vehicles.

We now have a government that places human welfare above market forces. It is also pledged to an integrated transport policy with an environmental thrust. This must include direct and indirect legislative pressure on manufacturers. If it can happen in the US, how much more should it be possible here.

Professor PETER F SMITH  
Chairman, Environment and Planning Committee  
Royal Institute of British Architects  
London W1

Sir: So cars are not a problem in rural areas (letter, 3 June)?

All those "minute contributions" to global warming add up to a catastrophic problem. If all those (genuinely) rural people in developing countries start adding their "minute contributions", heaven help us.

Rural motorists impose other substantial costs, in noise and in danger and unpleasantness. Many country lanes that 30 years ago had negligible traffic have become de-ruralised roads with several cars speeding past every minute. Children can no longer wander free and lonely but instead, to quote your letter-writer, "two cars are essential ... for ... the social lives of our young children".

The priceless qualities of the countryside, its tranquillity and freedom from unruly sounds, are eroded by motorists in rural areas. They must be heavily taxed accordingly. ROBERT P CLARKE  
Birmingham

Sir: There is a simple strategy for Glenda Jackson to consider ("Fewer car journeys urged to cut down the smog", 31 May). Raising the age for holding a driving licence would significantly reduce the number of recreational car users. There would be added benefits for road safety, because young drivers are statistically the most dangerous, and increased walking might even improve youth fitness.

There would be minimal political cost because by the time we reached an election, the disgruntled generation of carless teenagers would have become old enough to drive. Add to this the reduction on parental stress because 17-year-olds would not be demanding a car for Christmas and you have a politically perfect policy. Dr CHRIS WILLIAMS  
School of Education  
The University of Birmingham

### Budget today

Sir: After his lounge suit innovation, Gordon Brown is planning to ditch Gladstone's red Budget box in favour of something a bit more up to date. A briefcase has been mooted. This would be very old hat. Why doesn't he go the whole hog and hold up a CD-ROM disk in front of No 11 on Budget Day? Better still, stay inside and send out the Budget by e-mail or video conference. PAUL WALTER  
Newbury, Berkshire

### Money to pay for GP's surgeries

Sir: Dr AC Markus (Letters, 28 May) does not paint the full picture about fund-holding and GP surgeries.

In the remuneration system for GPs there have been provisions for more than 30 years for the state to make contributions towards the capital cost of GP surgeries. The two main schemes are known as the Cost Rent Scheme, where GPs receive what amounts to an interest-free loan to provide premises, and the Improvement Grant Scheme, where grants of between a third and two-thirds of the cost of improving surgeries are made available. Incidentally, both schemes were introduced by a progressive Labour minister of health: Kenneth Robinson. Over the past few years, under arrangements to encourage the development of GP surgeries in parts of London, grants of up to 90 per cent have been made available, usually to non-fund-holding GPs.

Money for such schemes has been short recently. Therefore we should welcome the ability of those fund-holders who make savings to redirect them to improving the premises and services that are provided for their patients, thus releasing limited resources for other capital developments.

All of these schemes have helped to develop an outstanding

range of GP surgeries for fund-holders, non-fund-holders and patients in many parts of the country. We should welcome this rather than resort to points-scoring. CLIVE PARR  
General Manager  
National Association of Fundholding Practices  
London W1

### Rays of hope for Welsh valleys

Sir: Tony Heath's interview with Peter Hain, the Welsh Office minister ("Hope in the Valleys", 30 May), is very timely. As MP for Neath, Mr Hain has been playing a leading part in the new thinking around the community and economic regeneration of the South Wales valleys and now has a unique opportunity to implement his plans for "industrial villages".

Crucial in that new thinking is the inclusive nature of the developing strategy: in our case the Dulais Valley Strategy, involving all sectors of the local communities. The creation of a Welsh Assembly is but a larger version of the local democratic partnerships which have been emerging across Wales in recent years.

It is very important that the new Welsh Office and hopefully the new Welsh Assembly ensures that an environment is created in which this sense of democratic civic participation prospers: the private sector locates beyond South-east Wales – in the valleys and in rural

North and West Wales; and a culture of lifelong learning becomes an essential human right for the rebuilding of Welsh, British and European societies.

The abolition of the nursery voucher system, an early referendum for a Welsh Assembly, new opportunities for education and training and the rejoining of Unesco are a tangible resurgence of hope for the valleys and the world beyond. Professor HYWEL FRANCIS  
Chair, Dulais Valley Partnership  
Seven Sisters, Neath

### Forgotten teeth

Sir: There is indeed a simple explanation of why Alec Just (Letters, 29 May) is unable to remember cleaning his teeth, but can recollect if there is any coffee remaining in his mug. Cleaning the teeth is not necessary for survival; drinking a liquid is.

A further explanation lies in the difference between duty and pleasure. The former we are always keen to forget; the latter, hopefully, we always remember. JUDITH HOLMES  
Hartlepool, Norfolk

Sir: I must thank Dr Peter Davies for his kind explanation of my husband's memory problem (Letters, 29 and 30 May).

He has now provided the perfect excuse for delay by the said husband of the completion of the many household tasks that await him, and I can certainly confirm the theory that after 24 hours there is indeed no danger of task recall! JENNY JUST  
Bushey, Hertfordshire

### Green tax rebate on the empties

Sir: You report (3 June) that the number of miles travelled by empty lorries in 1996 was 28.7 per cent of the total for all journeys by these vehicles. Although an improvement over previous years, this is still a scandalously high figure.

In the Netherlands, all soft-drink containers are regularly returned to shops for a refund of the tax on the container. Nearly all such containers (glass and plastic bottles, as well as cans) attract this tariff. The "deposit" on a bottle of beer, for instance, is often twice the value of the contents, thus encouraging people to return any empty containers they come across.

These "empties" are passed on up the supply chain by retailers, through wholesalers, either back to the original manufacturer for reuse, or for recycling. Whenever a truck makes a delivery to a shop, it takes away the returned empty packaging.

A welcome spin-off is a reduction in street litter. Sharp-eyed children (and others) soon start retrieving and redeeming containers discarded by their more careless or selfish peers.

The Labour administration should emulate the Dutch model. MIKE STEELE  
London SE4

### Saving lives on the gay scene

Sir: John Lytle writes: "Rubber-stuffers still haunt Hampstead Heath handing out condoms" (article, 30 May); in fact Rubber-stuffers have never given out a single condom on the Heath. What Rubberstuffers provides is appropriate condoms in places where gay men are most likely to access them, namely gay venues.

He suggests that handing out condoms is "a waste of money" – not so. The cost of condom distribution to gay men (who make up the majority of new HIV infections) is far overshadowed by condom distribution to people whose risk of HIV is minimal through safe sex, family planning services or GP clinics.

An NHS-commissioned report (in March 1997) concludes: "Provision of condoms ... should target high-risk groups, especially male homosexuals, purely on cost grounds".

That's why we will carry on "haunting" the gay scene, ensuring that gay men receive practical advice and information on preventing HIV transmission. CHRIS MARKHAM  
Director, RSH Health  
London W1

### All depends

Sir: The headline "Blair vows to end culture of dependency" (2 June) is a striking example of the onward march of a word which, having noticed that its imperial shelf life (dependency: a colony without self-government) was coming to an end, has adopted in an almost Darwinian way to usurp the previously dominant position occupied by "dependence". Will we soon find ourselves talking about your distinguished newspaper's having asserted its independence? Professor DAVID HEAD  
Department of Modern Languages  
University of Northumbria at Newcastle



## analysis

# Q: What do Rwanda, Yemen, Palestine, Cambodia and Fiji have in common? A: They all want to fly the Commonwealth flag

It is perhaps the most singular legacy of the long retreat from Empire. When Britain pulls out of Hong Kong at the end of the month this largest of our remaining dependencies, since it is not to become an independent state, will be ineligible to join the Commonwealth. At the same time the decidedly un-British state of Rwanda is lobbying to join, as is Yemen, which at least contains the former British protectorate of Aden. The Palestinians have indicated that they, too, might apply to join, if and when they become a sovereign state. And Fiji, suspended after the 1987 coup there, has approached Commonwealth officials about not only rejoining but abandoning its status as a republic and, uniquely, petitioning the Queen to reassume her role as monarch.

And that is not all. There is talk that Nigeria, which after the coup in Sierra Leone has been posturing, without a trace of irony, as the defendant of democracy in West Africa, may be expelled from the Commonwealth at the heads of government summit in Edinburgh later this year for its continued contempt for democracy and human rights.

The eight members of the Commonwealth Ministerial Action Group on human rights, which was set up last year following the Nigerian military regime's execution of the dissident Ken Saro-Wiwa, along with eight other activists, is becoming impatient. The group, led by Nelson Mandela – who swiftly brought post-apartheid South Africa back into the Commonwealth fold – has backed away from the idea of economic sanctions against the country for fear that the Americans, French, Chinese and Russians would

Far from being a ragged remnant of the British Empire, the organisation is fast becoming an influential player on the world stage, writes Paul Valley

not come on board. But it is now considering expulsion for its continued flouting of Commonwealth demands.

"The Commonwealth is taking on a new visible life," says Andrew Porter, an imperial historian at King's College, London. "And for good reasons of self-interest. You might not set it up if it didn't already exist, but it's there and it can be mobilised and its networks used to promote the interests of what is now a quarter of the world's population."

It is an odd business for those who regard the Commonwealth merely as some ragged remnant of Empire, a hangover from the days when pennies were struck with the image of George VI as Emperor of India. "It has helped us come to terms with Britain's decline as a great power," says Porter. But there is more to it than that. "It is difficult to think of any other empire which has left this kind of international organisation behind it." Significant contacts are maintained between the former French colonies and metropolitan France, but they are designed to be much more of benefit to Paris. "Britain doesn't dominate as France does the Francophone," says Porter. "It's not an Anglo-centric organisation". It is not even entirely an

Anglophone one now. In 1995, the first non-English speaking country, the former Portuguese colony of Mozambique, was admitted on the same day that Nigeria was suspended. Insiders say it was the price which Mandela exacted in return for taking the lead on Nigeria from the white Commonwealth states, who were reluctant to push the matter for fear of charges of racism.

The success of the institution is clear from the queue to join. Motives to do so vary. Sentiment seems to be what lies behind the Fijian request for re-admission. Georcel Sitiveni Rabuka, who led the 1987 coup, has been pressed into negotiations by a groundswell of his own people, who continued to celebrate the birthdays of the Queen and other royals, and whose students continued to apply for – and receive – scholarships from the 1100 Commonwealth awards made every year.

By contrast, cunning self-interest lurks behind the urge of the elite in Rwanda to join. Many observers detect a furtive plot behind the move. The Rwandan rulers are English-speaking Tutsis who were previously exiled among fellow Tutsis in neighbouring Uganda; joining the Anglophone Commonwealth would subtly consolidate their position over the

French-speaking Hutu majority they now control. Elsewhere, in Barbados fervent republicans campaigning to ditch the Queen as head of state are none the less anxious the island should remain in the Commonwealth.

The formula for that is well-established. Half of the current members are now republics, under an ingenious formulation whereby the Queen ceases to be monarch but remains as head of the Commonwealth. It is no longer the British Commonwealth. The qualifying adjective was dropped in the late Forties to allow India to remain in the white man's club – of Canada, Australia, New Zealand, South Africa and Southern Rhodesia – after its independence as a republic. (Ireland dropped out only weeks before the prescription came into force.) The imperial residue was further dissipated in 1965 when Britain gave up the permanent chairmanship and an independent secretariat was set up making the organisation, which then had 21 members, more difficult for London to manipulate.

Evidence of that lack of malleability was disclosed recently when the first confidential Commonwealth papers were released under a 30-year secrecy rule. During the row over the Unilateral Declaration of Independence by Rhodesia's white settler regime, the Commonwealth came close to falling apart. London insisted on economic sanctions to end the crisis while black Africa demanded that Britain send in troops. At one point the British prime minister, Harold Wilson, pointed out that all the countries at the table had gained their independence from Britain but were now overlooking the fact that Britain, too, was independent. Other members were treating Britain "as if it were a bloody colony". When the other prime ministers protested vehemently and asked him to withdraw the remark, Wilson, the minutes show, said: "All right, I withdraw the word 'bloody'".

There was a time when it seemed the Commonwealth would wither on the vine of Britain's increased involvement with Europe. In the years after the war the notion of imperial or Commonwealth trade preferences was still considered viable. But by the Sixties, Britain began to feel it could not afford to be tied in with

economies which were not among the most vigorous in the world. Cheap New Zealand lamb and butter were not sufficient recompense for exclusion from the Common Market being set up in Europe.

In the early days Wilson tried to have it both ways, asking for admittance to the Common Market with a tariff-free zone that would remain open to the Commonwealth and the developing world, and which would not artificially raise food prices. He reckoned without the intransigence of General de Gaulle, who vetoed the application. It was only, in effect, by dropping all its objections that Britain was admitted in 1972, accepting both the Common External Tariff and the Common Agricultural Policy – and additionally surrendering its fishing grounds, something which the other members previously would not have dared to demand. Not long after the trade preferences went, UK visa requirements were introduced for Commonwealth citizens.

If entry into the Common Market hugely damaged relations with the white Commonwealth, it was the intransigence of Margaret Thatcher over sanctions against the apartheid regime in South Africa which placed the greatest strain on relations with black members.

During the Thatcher years it repeatedly looked as if the Commonwealth would be allowed to atrophy by an imperious British prime minister who would brook no contra-

dition from former colonials.

Commonwealth leaders routinely outraged her. Much influenced by her businessman husband Denis, she embraced dictatorial African leaders like Moi in Kenya and Banda in Malawi, and adopted a pro-Buthelzi and anti-ANC line in South Africa. At one Commonwealth conference in Vancouver she compared the ANC with the IRA, myopically ignoring the difference between the violence of a violent minority outvoted in a democratic country and that of a disenfranchised majority inside a repressive state. Such attitudes, along with her decision to abolish education subsidies for overseas students, led to widespread disillusion with Britain. At one point there was talk of moving the Commonwealth Secretariat to Toronto. The rifts were healed only by diligent back-room diplomacy by the Queen, as Ben Pimlott's biography of the monarch reveals.

Yet the institution survived all this for a number of reasons. It creates an unparalleled forum in which the prime ministers of 52 states have direct personal contact with one another, often without any officials present. Because it is not a strategic alliance or a trading bloc it has no common defence or economic policies. It is a forum where consensus rather than voting are the *modus operandi*.

"That may well be why it may be on the threshold of new influence," says Dr Alan Sked,

the international historian at the London School of Economics who is a vigorous campaigner for UK independence from Europe. "Regional trading blocks are a chimera; by the 21st century all competition will be between firms, not countries." And, he says, it lacks the pomposity and posturing of the United Nations.

"It is a comfortable form of international co-operation where people can talk confidentially without feeling threatened," says Peter Lyon, head of the Institute of Commonwealth Studies at London University. "It hasn't got a centre or a periphery. All have equal status."

It is a model which extends from meetings of prime ministers to the wide networks of informal association: there are Commonwealth associations of dentists, tax-gatherers and parliamentarians, as well as meetings of foreign ministers. Co-operation is the byword of its development programmes, with aid from the industrialised members often being used to finance the transfer of skills from one Southern country to another. "For countries with a population of less than half a million it is probably the most useful international forum they have access to," says Peter Lyon.

Fear of jeopardising that is what will stop the Commonwealth expanding too wildly. "Smaller members fear the

sense of intimacy will be lost," says Andrew Porter. (An approach from Cambodia has been politely rebuffed, and suggestions that Ireland might rejoin as part of the Ulster peace process have foundered on the fact that – though the country's president, Mary Robinson, has privately told the Commonwealth Secretary-General that "the Irish people have a deep affinity with the things you do" – the symbolic resonance would be too much for many republicans.) But there is no doubt that, with its intimate links to all corners of the globe, the Commonwealth is well placed to play an important role on the world stage in the next century – as a forum in which to moot international initiatives, a mechanism to further democracy and human rights and as a discreet vehicle for crisis diplomacy.

In Hong Kong, the first Chinese successor to the last British governor has invited the Secretary-General, Chief Emeka Anyaoku, to the hand-over celebrations. The new chief executive hopes, apparently, that some of the informal connections with Commonwealth associations might be maintained, even though Hong Kong will never qualify for membership. The gesture has gone largely un-noticed as part of the small change of international diplomacy. But as a testament to the potency of the Commonwealth in the post-imperial world it carries its own significance.

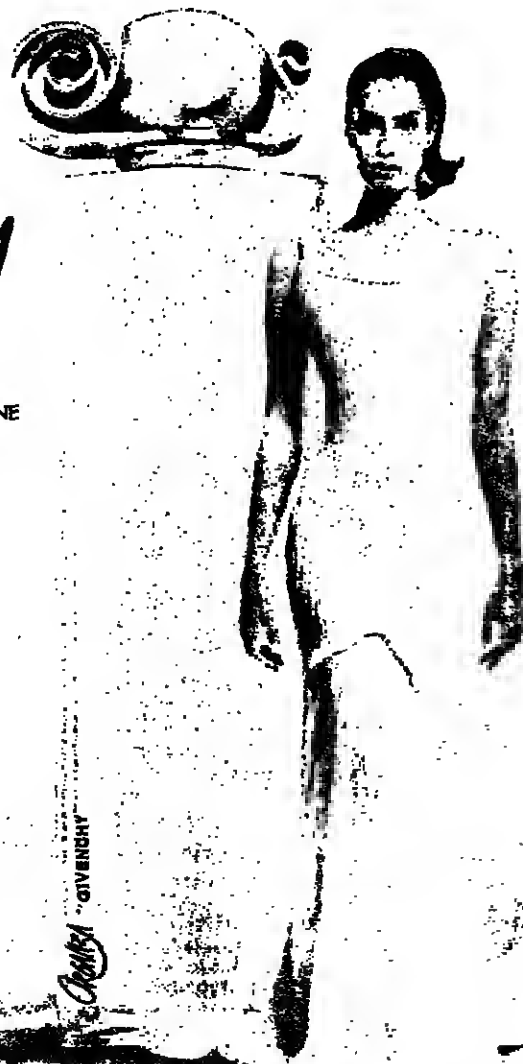


A standard-bearer for Fiji: now the country wants to rejoin the Commonwealth – and regain the Queen as its monarch

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## Going native in a roundabout sort of way

Most Americans don't know much about the world. That, at least, is what we like to think. As Martin Bell said on the radio the other day, a country where the OJ Simpson trial was thought for about a year to be top news cannot be a country where news is taken seriously. And it seems self-evident that most Americans cannot know much about the world because more than half of them do not possess passports and therefore cannot even go and have a look at the world.

By these standards Raymond Seitz, until lately American ambassador to the UK and now doing a series of talks on Radio 4, is the kind of American you dread meeting. He is urbane, interesting, amusing and well-informed, and thus destroys all your favourite images of the American male as loud, competitive and ignorant of anywhere but America. Foreigners are generally the most perceptive observers of other countries – the most revered book on America is still that by the Frenchman Alexis de Tocqueville – and

some Americans who pop up on Radio 4 (I think of Mr Michael Goldfarb) are pretty thought-provoking on the UK.

But I am puzzled by something that Mr Seitz said this very Monday. He said that of all the odd things in our traffic system it was not driving on the left or anything else that baffled him most – it was roundabouts. He could not see the point of roundabouts. Americans do not have roundabouts. They have other ways of organising traffic beside these strange nodal things like blood clots in the arterial system called roundabouts, with their mysterious protocol and infallible clogging effect. Why do we do it? Is it a hangover from a classical past, the past that gave us circuses and crescents? Is it something to do with our class system, all this giving way and doffing of caps? Is it because Americans are optimists and progress is a straight line, whereas the British are realists who have seen it all before and therefore think cyclically?



Miles Kington

Well, no, Mr Seitz. It cannot be a British disease, for a start, as roundabouts are quite common on the Continent. In fact, I believe, Basingstoke, which is sustained by a lift system of roundabouts, is actually twinned with a huge roundabout near Darmstadt. (Another British town riddled with roundabouts is Milton Keynes, but there may be a special reason for this. I was once told by one of the older inhabitants that the planning sessions for Milton Keynes took so long that the planners went

through gallons of coffee, leaving lots of coffee mug rings on the master plans, each one of which was faithfully turned into a roundabout.)

The simple truth, I think, is that we have so many roundabouts in Britain because they are cheap to build. When a local council has a trouble spot where they should introduce traffic lights or a pedestrian crossing, they will often find that it is half a million pounds cheaper to form a small bump in the middle of the road, paint a few white lines round it and put up signs saying NEW ROAD SCHEME AHEAD.

This compares favourably with the equivalent scheme in Mr Seitz's homeland, where priority at a crossing goes to the man with the bigger gun, especially if he shoots his rival first. The American scheme may be cheaper, but the British scheme causes fewer deaths. Though I do think fondly of the *Punch* cartoon by I think, Raymond Lowry which showed the end of a motorway and a large sign

saying EXPERIMENTAL TRAFFIC SCHEME AHEAD. After passing the sign, all the cars followed the road to a cliff and poured over the top into the sea. Excellent ideal.

Nevertheless, Mr Seitz is certainly right in pointing to the fact that we have a different driving culture from country to country. Indeed, it varies from region to region. When I first moved out of London, I couldn't help noticing that people were much more lackadaisical (I would now call it relaxed) in the country – no revving up at red lights, ready for a hint of green. They are also much more courteous, ever ready to reverse down a country lane to the last passing place and to thank each other for having done so. Indeed, to thank each other for thanking each other.

The only place where I was ever in a car which came to a large roundabout with a grass mound in the middle and drove straight up it and across the top was Ireland. More about the reasons for this weird episode tomorrow.



## The cautionary tale of Labour's last moderniser

**N**ewness and energy. Daily surprises. Political chic, and a bit of political cheek as well. The first hectic month of the new government has been heartening and invigorating. We have known nothing quite like it before.

Except that we have. Labour's repetitive and passionate rhetoric of newness discourages any looking back, certainly to old Labour history. Yet if there are ghosts in Downing Street, surely the shadow of a youngish man in shirt-sleeves, podgily dapper and full of energy, is hovering there now. What would Harold Wilson have made of recent weeks?

For there are some striking parallels with the last time Labour ended a long period of Conservative rule. In 1964, like Blair now, Wilson was then the youngest Prime Minister of the century, brimming with the rhetoric of renewal and modernity. His moral-patriotic rhetoric wasn't so far from Blair's: "No-one should be in a political party unless he believes that party represents his own highest religious and moral ideas."

He started in office with a great gust of goodwill from voters, the media and his own party. He began well: Paul Foot's account, written shortly after the first 1964-66 administration, says that the vast majority of Labour people and commentators thought Wilson's first 17 months "had been almost impeccable". Scepticism was confined to "satirists and sectarians".

Above all, the young Prime Minister was fizzing with enthusiasm and optimism. Here is Sir Derek Mitchell, Wilson's principal private secretary, describing the new PM's first hours: "Within minutes he got down to it. He didn't even bother to meet the civil servants before preparing the list [of ministers]. He showed no sign of tiredness; more of demonic energy, excitement, fulfilment." Familiar?

Journalists who covered Wilson's first few months recall brilliant, relentless, news management - "a splash a day". In government, Wilson used his knowledge of the Press players to great effect. Spin-doctoring was a well understood art in the Downing Street of 1964. Like Blair, Wilson introduced a team of policy wonks (as they then weren't called), fixers and personal political allies into Downing Street. Instead of Alastair Campbell, Peter Mandelson, Jonathan Powell and the rest, he had Marcia Williams, George Wigg, Gerald Kaufman, and Thomas Balogh.

The new Prime Ministerial team meant friction with senior civil servants - the disagreement between the Cabinet Secretary and Blair over Powell's role today can be compared with Marcia Williams's fight for official status in 1964 - but also injected adrenalin into government. As Ben Pinnett puts it in his biography of Wilson: "The contrast between the hectic pace of the new administration, compared with the relaxed atmosphere of the old one, was the most marked feature of the change."

Wilson's power in Downing Street was circumscribed a little by his wary respect for a few other ministers with big Labour Party constituencies. George Brown, as the working-class man with an unconventional image and big ideas about industrial regeneration, would be played now by John Prescott, though Prescott has no drinking problem - it is hard to imagine him sauntering down the steps of



Andrew Marr

**Blair should constantly ask himself why Harold Wilson, a popular and energetic leader, became so unpopular and cut off, so quickly**

his plane in a foreign capital and "kissing each wife in the formal embassy reception party ardently on the lips".

Roy Jenkins, who wasn't in that first cabinet, and Jim Callaghan, might be played by Gordon Brown and Robin Cook, who also have big alternative bases in the party and only a very modest store of mutual admiration.

Finally, Wilson, too, took big decisions early on: within days he ruled out devaluation as a way of coping with the huge balance of payments deficit, so committing his government to painful and highly unpopular austerity measures.

Blair hasn't done anything quite on that scale - in today's terms, it would be rather like committing to membership of the first wave of EMU. But as a reorganisation of government, Gordon Brown's change to the status of the Bank of England can be compared in vigour to his namesake's 1964 creation of a Department of Economic Affairs (DEA).

The DEA and National Plan should also remind us that the Blair government's co-option of people from Barclays, BP and British Airways to help in government isn't new either. As he explained in his memoirs, George Brown brought in a whole range of Conservative City types and industrialists from companies like Courtaulds, Unilever and Shell, and even a sitting Tory MP as head of the Prices and Incomes Board.

The best retort to all this history is that there were three huge differences between 1964 and 1997. First, Wilson inherited an economic crisis, while Blair inherits merely problems. Second, Wilson had a majority of four, not 179. Third, he was in back to a union-dominated party, as Blair isn't.

These are rather formidable distinctions. Yet though Wilson was struggling with much tougher economic and international conditions than Blair, his experience is similar enough to be worthwhile remembering. Above all, Blair should constantly ask himself why such a popular, energetic and liked leader became so unpopular and cut off, so quickly. Downing Street does things to people - to Thatcher and Major, too, though Wilson remains the best example. He shut up the doors, stuck with what eventually became a paranoid circle of allies, obsessed with the treachery of colleagues. He didn't spend enough time with the half-dozen or so senior ministers who really mattered. He worked too hard. He lost his sense of proportion, and then of fun.

I wonder what an older, wiser, ghost of Wilson would say to Tony Blair today? "Well done", of course. He'd be awed by, and jealous of, the Commons majority, and admiring of Blair's party reforms. But he would also say: "Relax. Don't fret over newspaper stories about ambitious colleagues, or allow couriers to involve you in plotting. Spend time with family and utterly non-political friends. Don't make a fetish of frantic activity. A few months of good headlines are a great achievement for any Labour politician in this country. But keeping sane for years ahead - that is a herculean task, which very few of your predecessors have managed."

"And - oh yes, one other thing. Don't confuse patriotism with Sterling. A strong pound is a very mixed blessing."

## The sweet and sour times of Alan Sugar

by Michael Harrison

**"T**his company is mine, those are my initials up there, and it's going to be around for ever." For ever, it now transpires, is a short time in business. Yesterday Alan Michael Sugar Trading, or Amstrad for short, was consigned to the dustbin of corporate history. Alan Sugar, the man who made personal computers affordable and friendly for a generation, is hanging up his boots to concentrate on running Tottenham Hotspur. In the process, Amstrad's founder, chairman and living embodiment is distributing his electronics empire to the four winds.

Mr Sugar, who owns 34 per cent of the company, will be quids in when the break-up is complete. His stake alone could be worth £145m. But Amstrad itself will no longer exist, other than as a vehicle to pursue legal action against two American computer disk manufacturers which the company blames in part for its demise.

It is, as they say, the end of an era. How many millions of consumers got their first taste of the information technology age at the hands of a low cost, industry-standard Amstrad PC? How many millions of homes today sport a Sky satellite dish - his other contribution to civilisation? For all that, should anyone mourn the passing of Amstrad or the style of doing business that Mr Sugar came to personify?

Amstrad's rise in the last 29 years from a one-man hand selling airdials and reconditioned televisions into stock-market darling and perhaps Britain's best known name in consumer electronics invites comparison with a string of other home-grown business success stories: Branson, Hanson, Conran, Lord King and Arnold Weinstock. But Amstrad and Alan Sugar could just as easily be bracketed with those shooting stars that faded and died: Ronson, Ralph Halpern, John Gunn and Michael Ashcroft.

Whereas Richard Branson has created a truly international brand in Virgin capable of selling anything from records and airline tickets to cola and vodka, Amstrad never repeated the success it had with the PC. It might be harsh to characterise it as a one-product company. But try as he might - and there have been plenty of attempts - Mr Sugar has never worked the same magic with personal stereos, cordless phones, videos, answering machines, faxes or any of the other consumer electronic products that have speckled off the end of the Amstrad conveyor belt. The mere fact that he is prepared to let Amstrad disappear as a company, to be replaced by something called Viglen Technology, speaks volumes.



**By 1988 Amstrad was making £150m a year. Then Sugar agreed to make Murdoch's satellite receivers. From there it was downhill**

Whereas Sir Terence Conran has demonstrated the ability to roll his brand successfully from one format to another - design house to restaurant to shopping emporium - Amstrad has failed to re-invent itself in quite the same way. The publicity blurb boasts of "an international electronics, telecoms and computer group with one of the strongest brand names in Europe". If that is so why ditch it?

Lord Weinstock never showed any sign of returning to shareholders the £2.5bn cash mountain accumulated during his reign at GEC, but Mr Sugar is returning Amstrad's more modest £200m cash pile to investors. In other words he has run out of profitable schemes for investing the money and has conceded that his shareholders might have better ideas.

For all that, Amstrad deserves to be remembered for bringing the computer age into the living room in a way that made it accessible and, above all, within the reach of most

pockets. Mr Sugar professes not to admire the Japanese, whom he considers lacking in originality. And yet he has pursued a similar blueprint - exploiting products developed by others, manufacturing them as cheaply as possible (in his case in the Far East) and then selling them in bulk at discount prices.

For a while that served Amstrad very well. The company began by manufacturing and distributing hi-fi equipment. With the benefit of a public listing, in 1980, Mr Sugar branched into computing, launching first a games computer, then a word processor system and then, in 1986, a low-cost industry standard personal computer. By 1988 Amstrad was at the zenith of its fortunes, making profits of £150m a year and valued on the stock market at £1.2bn.

A year later Mr Sugar did his now famous deal to help launch Sky by agreeing to make Rupert Murdoch's satellite

receivers - a contract that is said to have been worked out on the back of a napkin over lunch. But from there on it was downhill. Amstrad's attempts to conquer the business computer market failed disastrously - the result, according to a High Court judgement last month, of faulty computer disks supplied by two US manufacturers. By 1992, Mr Sugar's love affair with the City had turned so icy that he attempted, unsuccessfully, to buy out the majority shareholders. He set about rebuilding Amstrad but this time it was through acquisition - first of a cellular phone business and then of Viglen - a company

that specialised in selling PCs direct rather than through high street retailers.

Amstrad will be remembered as much for the man as for its best-selling product. Mr Sugar left school at 17 and after a short spell as a statistician in the Department of Education, branched out on his own. The son of an East End tailor, he was a loner at school with a love of cooking and photography. They were not obviously the best credentials for him to make his way as a trader in the rough and tumble of the East End markets but Mr Sugar quickly demonstrated his acumen for making money. Within four years of forming Amstrad, the business was making nearly £200,000 profit a year on sales of £1.3m.

Today he has all the trappings of wealth - a Rolls-Royce with the personalised number-plate AMS1 and a 160ft yacht, the *Leviathan* - but his pugnacious, imperious, back-of-a-horsey style of doing business has scarcely changed. And he still inspires fear and awe in equal measure among those he employs. He also inspires great loyalty. Many of his managers at Amstrad, known collectively as Sugarlumps, aped his appearance - the stubby beard, bulldog expression and free flow of expletives.

Now Mr Sugar says he wants to devote his energies to football. At Spurs, his relationship with supporters and shareholders has been the mirror image of that he cultivated at Amstrad. The shareholders love him for turning the club's precarious finances around. The fans, or at least a vocal minority, loathe him for Spurs' lack of success on the field. Mr Sugar's disdain for paying high prices for "foreign mercenaries" or "Carlos Kickabouts" as he has dubbed them is well known. In a reversal of his individualistic business philosophy, he says on one player is going to win the Premier League. Rather, composing a football team is like assembling a business. "It's like a manufacturer who has laid down the plant, put the machines in place, finished the designs and now everything is ready to roll," he recently said of Spurs.

Yesterday, with unfortunate timing, one of its most important pieces of machinery - the star striker Teddy Sheringham - stuck in a transfer request, apparently disillusioned with Mr Sugar's style of negotiating new contracts. Who says life at Spurs will be any easier than running Amstrad?

## France still has a place in the sun

It's clever, productive and fashionable - don't write the country off yet, says Hamish McRae

**P**ost-election France: the commentators seem to have decided that the country has turned its back on economic reform and will now condemn itself to a further five years of stagnation. Unemployment will stay high; consumers will remain depressed; and whether or not the euro ever happens, the economy will remain burdened by high taxation, a bloated social welfare system and continued social unrest.

But economic bottles are usually half full as well as half empty. If, instead of focusing on the structural changes that France is finding it so tough to make, you look instead at the fundamental strengths and weaknesses of the French economy, a rather different prospect emerges. To see this, start with the tough question that any rich, developed country should ask: what can this country do that other countries with much cheaper labour cannot do as well or better? The answer, in the case of France, is: quite a lot.

In a world where manufacturing know-how crosses national boundaries in a matter of weeks, comparative advantage will lie less in the size or competitiveness of a country's manufacturing, and much more in qualities such as intellect and culture: how clever people are; how attractive their culture is to other nations. Basic, mass manufacturing will continue to shift to low-wage countries, leaving two types of production in high countries: those that have a high design content, and those with a high craft content. Apart from that, the growth in developed country economies will be in services.

Looked at in this light, France has many advantages. So whatever the humps that the French economy will encounter during its five years of cohabitation with a president of the right and a government of the left, the longer-term outlook for the economy through the first couple of decades of the next century is rather more encouraging than the present deluge of gloomy comments may suggest.

Let's list the strengths, and see how they dovetail with the sort of things that the world is likely



Top spot: resorts such as St Tropez make tourism the second biggest industry

to spend more money on during the next 25 years. Tourism is France's second biggest industry. This is enormously important, for, if defined widely to include travel, tourism has now become the world's largest industry and its largest source of employment growth. France has a clear competitive advantage, partly because of its location at the centre of Europe, but also because of the variety of experiences it offers: from the beaches of St Tropez to the boulevard of St Michel. This of St Tropez to the boulevard of St Michel. This is not an area in which France is likely to suffer from competition from countries such as South Korea or Japan, as it will in, say, cars and computers. Tokyo is an extraordinarily interesting city, but it will never be a holiday destination like Paris.

Next, Paris itself. The Ile de France region - greater Paris - generates higher gross added value than any other region in Europe and produces

about 30 per cent of France's GDP. There is some danger in this, in that the country may have too many of its economic eggs in one basket. But it is a great centre of clever people: 47 per cent of its employed people are engineers, executives, technicians or supervisors, and most of the rest are skilled; only 13 per cent of its workers are unskilled. The visitor sees the glitz, but would not appreciate that about half of the country's jobs in aerospace, pharmaceuticals, data processing and electronics are in greater Paris. He or she would not know, either, that productivity in these areas is generally higher than anywhere else in Europe.

Paris is also the leading European conference centre, well ahead of London, and has more than double as many visitors to trade fairs and exhibitions than any other European city. The blend

of providing an efficient location for a business conference and a tourist destination is particularly powerful.

Finally, Paris dominates the luxury goods trade. Here is a clear area where France has global leadership. That leadership in fashion has enabled Paris to retain a large clothing industry, located in the Sentier district close to Les Halles, one of the very few manufacturing industries still in the centre of a giant city. Physical proximity to the market offsets the higher costs involved. But, of course, the strength in luxury goods goes far beyond clothing: there is a string of top global brand names in drink, perfume and related industries. France, perhaps to an even greater extent than the UK, has been adept at crafting high-mark-up products that are attractive to the newly rich of East Asia.

There are other areas in which France will remain globally important. Obviously it will remain a big food producer: it will remain, albeit, the world's second or third largest arms exporter. Trade in food seems likely to increase over the next generation, along with the increase in population; and, sadly, it would be surprising were trade in arms to diminish significantly.

It would be astounding if, over the next generation, the process of globalisation that has dominated the last 30 years, and particularly the last 15, were to go into reverse. In France globalisation is often resented, even feared, for it is perceived as a threat to the French way of managing things. It is tied up with resentment of the force of Anglo-Saxon culture and what are seen as Anglo-Saxon market reforms.

But in reality France - with its excellent high technology and its craft industries, and with its powerful, exportable culture - seems better placed to profit from globalisation than countries that are just pre-occupied as manufacturers. France is often seen as the weaker partner in the Franco-German alliance, but on a 25-year view its economy may be better placed to compete globally than its more populous neighbour.

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## Strikes threat as construction workers reject pay offer

Barrie Clement  
Labour Editor

The recovery in the construction industry could be under threat from nation-wide strikes as union negotiators yesterday rejected a 45 per cent increase in basic pay over four years.

It is understood that prestige projects in London and the South-east, where union membership is at its highest, could be the main targets for disruption on any hit-list. They are

likely to be the millennium site at Greenwich, the new Tate Gallery at Bankside Power Station in London, the £100m refurbishment of the Royal Opera House and the construction of the Jubilee Underground line. The bypass at Newbury could also be the subject of disruption.

If the unrest spreads into the general building trade the acute shortage of housing could be made considerably worse.

Allan Black, national officer for the construction industry at

the GMB general union, said talks had broken down and there was no immediate prospect of further negotiations. He said building workers would be extremely anxious when they realised there would be no wage increase by the end of this month - the due settlement date.

"We are sleepwalking into industrial action," he said yesterday at his union's annual conference in Brighton.

While national pay negotia-

tions had little impact on real wage rates in previous years because many workers were self-employed, tighter implementation of tax laws has led to thousands of craftsmen moving to employed status. Union negotiators insist on inflation-breaching rises to make up for the fact that more of their members are being forced to pay tax.

Union leaders are also keen to exploit the scarcity of skilled labour which has seen the going rates for steel fixers in Lon-

don rise to £600 for a five-day week and the wages of bricklayers increased to £400. Mr Black estimated only 10 per cent of the 800,000 workers in the construction industry were union members but he predicted that even non-unionised personnel would walk out.

In negotiations employers amended their offer from a four-year package to a three-year deal said to be worth 32 per cent but union negotiators rejected it.

The final proposal, turned down by employees' representatives, was said to be worth 5 per cent from the end of this month, 14 per cent from June next year and 10 per cent in the following year, taking hourly pay rates from £4.58 for basic craft operatives to £6.05.

Rival union Uclaf argued that the main bone of contention was not so much the pay offer, but the insistence of the Construction Confederation, the employers' body, on

flexibility of working hours. The confederation wants to negotiate a "derogation" from a European directive which stipulates that employees should not work more than 48 hours a week averaged over four months. Employers wanted working time to be calculated over 12 months.

Malcolm Fordy, chairman of the employers' side, said the proposals constituted a "wide-ranging, positive and constructive" response to union

aspirations. It would encourage training and reward the attainment of skills, thus improving the status of the industry and its public image. "To our very great regret the trade union side rejected our offer. I must make it clear that no further concessions will be made by the employers," he said.

Mr Fordy confirmed that no further meetings had been arranged and that present pay rates would remain in force.

## Sugar breaks Amstrad empire

Michael Harrison

Alan Sugar yesterday announced the break-up of Amstrad, the consumer electronics business he created 29 years ago and which brought low-cost personal computers into the home for the first time.

The dismantling of the Amstrad empire will net Mr Sugar more than £100m and return more than £200m in cash to shareholders. It will also end the Essex entrepreneur's often turbulent relationship with the City since he floated Amstrad in 1980.

Under the complex restructuring unveiled yesterday, Mr Sugar is proposing to return £200m to shareholders in the form of loan notes and exchange Amstrad shares for shares in two subsidiary companies: Vigen Technology, which sells Amstrad PCs by direct mail, and Betacom, a quoted consumer electronics company which markets the Amstrad, Sinclair, Fidelity and Betacom brands.

In addition, Amstrad plans to distribute to shareholders the proceeds of damages awarded against two US suppliers of computer disks. The award against one of the companies, Seagate Technologies, should exceed £100m including interest payments.

The dramatic break-up of the Amstrad follows Mr Sugar's failure to merge the business last year with Pison, the hand-held computer group, and his earlier abortive attempt in 1992 to take Amstrad private.

According to some estimates the break-up and distribution of assets could be worth 360p per share against yesterday's closing price of 277p, up 13.5p. That would value Amstrad at £425m compared with a market capitalisation of £1.2bn in 1988 and leave Mr Sugar with a stake worth about £145m.

However, much will depend on the value put on Vigen when it is floated as a separate company. There were suggestions yesterday that it could be worth as much as 115p a share although Robert Harris, an analyst with ABN Amro Hoare Govett put Vigen's value at 65p a share. The company made a £10.5m profit last year on sales of £106m.

Mr Sugar, Amstrad's highest shareholder with a 34 per cent stake, refused to say what he would do with his proceeds from the break-up. But he stressed that although the Amstrad name was disappearing as a quoted company it would continue as a powerful brand.

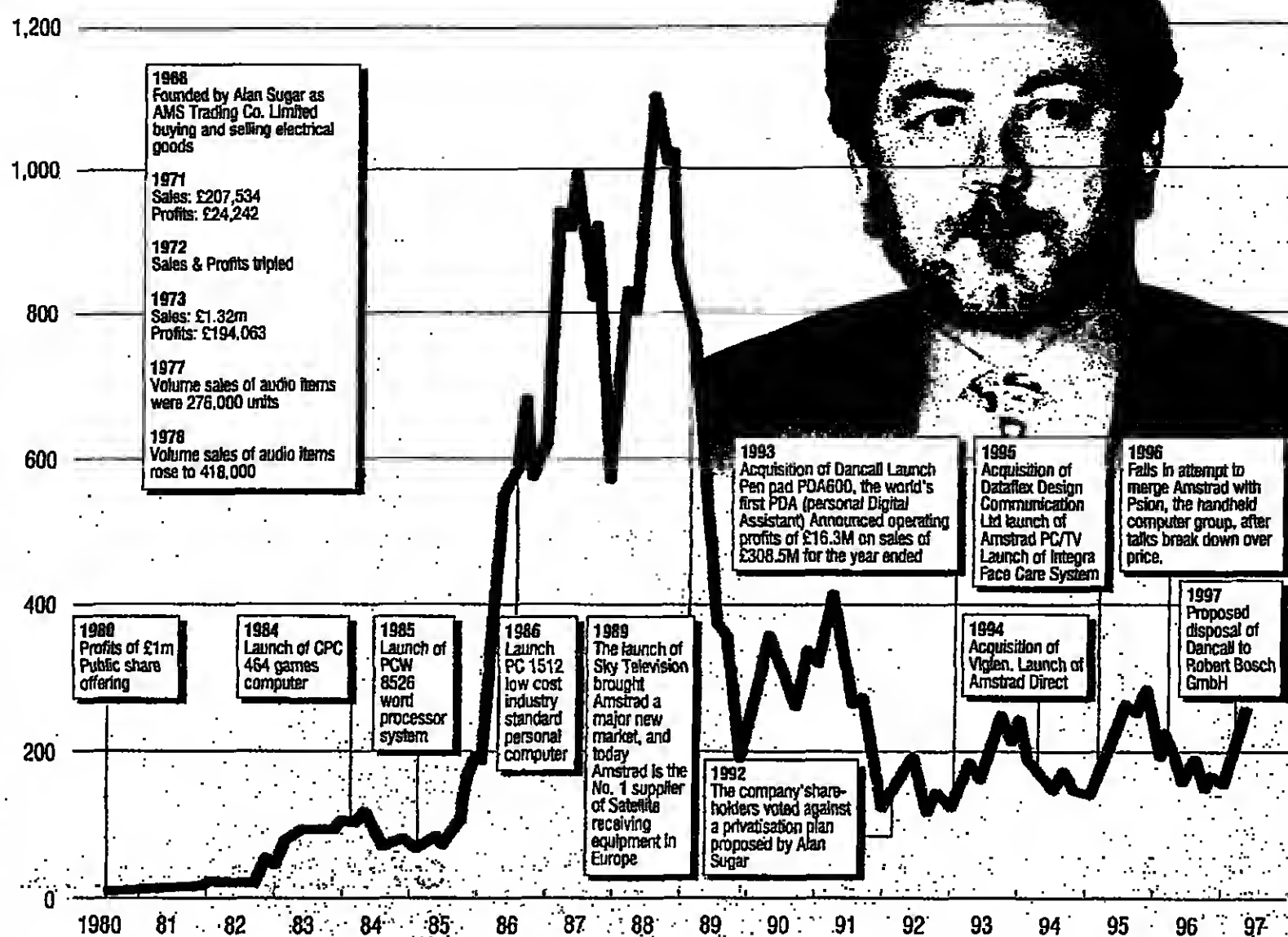
Mr Sugar will remain chairman of Betacom and will devote his energies to building up the business. But he will have no executive role at Vigen while Amstrad will be reduced to acting as a vehicle to pursue the litigation in the US.

"My focus will now be on Betacom which is where Amstrad was as a company 10 years ago," Mr Sugar said. "In years to come a suitable epitaph would be for Betacom to prove as sexy a business as Amstrad."

Analysts generally welcomed

### The rise and fall of Alan Michael Sugar Trading

Amstrad share price pence



the break-up plan unveiled by Mr Sugar. Michael Styles of Credit Lyonnais Laing said: "It makes sense. There may be a little more to go on the share price - it depends what you think Vigen is worth."

Mr Sugar formed Amstrad - Alan Michael Sugar Trading - in 1968 and built its profits up to £1m by mass marketing hi-fi equipment manufactured in the Far East at discount prices. It floated in 1980 and quickly went

into the computer business, first with games computers, then with word processors and then with a low-cost industry standard personal computer which revolutionised the PC market.

Amstrad hit a peak in 1988 as its profits reached £100m and the market capitalisation of the company hit £1.2bn. It went on to sign a deal with Rupert Murdoch's Sky to manufacture and market its satellite dishes in 1989.

The downturn in the company's fortunes coincided with its attempts to break into the busi-

ness PC market with a machine using disk drives supplied by two US manufacturers.

Amstrad was last month awarded £57.6m in damages against one of the companies - Seagate Technologies and is pursuing a similar claim against Western Digital, which is due to reach court in Orange County, California later this year.

The £200m loan note convertible into cash is worth 163p a share and represents the bulk of Amstrad's cash pile, which has

just been inflated by the £92m sale of the cellular telephone business Dancall to Bosch of Germany.

Amstrad's 70 per cent holding in Betacom is worth a further 25p a share and assuming the Seagate damages award reaches £100m, it is worth a further 55p-58p per share.

Although Amstrad will cease to exist as a quoted company a spokesman said: "It doesn't matter a damn to the consumer who now owns the brand, it will con-

tinue to be a powerful name in the high street."

As well as personal computers, Amstrad also markets hi-fi equipment, televisions, cordless phones, faxes and answering machines. None of its later consumer electronics products have had the same impact, however, as the IBM clone of a PC that Amstrad pioneered in the 1980s.

Comment, page 25  
Sugar sweet and sour, page 23  
Sheringham row, page 32

## Sir Ernest considers all options as he puts Racal up for sale

Chris Godsmark  
Business Correspondent

Sir Ernest Harrison yesterday in effect raised a "for sale" sign over Racal Electronics, the defence to telecommunications business he has run for 31 years, in a final effort to please investors before his retirement.

Announcing the latest stage in Racal's restructuring, with the loss of 1,000 jobs world-wide, Sir Ernest made clear that "all options" were being considered in the quest for shareholder value, including sales or mergers with larger companies. A third of the job losses would be in the UK.

Advisers including Goldman Sachs, the US investment bank, have been appointed to lead the hunt for partners. However Sir

Ernest made clear there were no fast solutions to difficulties at Racal, which has made two profit warnings in the past 12 months.

"I hope it will be done quickly and certainly I would welcome a very early retirement. All options are open," said Sir Ernest who is 71. He added: "These things don't happen overnight as you know. They do take time."

He pledged to stay at the helm of Racal until the problems were sorted out. "I intend to remain chairman of this company and I am totally committed to achieving great value for shareholders. The key is to be bold when the occasion arises and make the right decision... and my board have an outstanding record."

Yesterday's news did little to boost the share price, which edged up 1.5p to 235p, valuing the group at £670m. A year ago the shares were 313p. Sir Ernest has 717,000 share options exercisable at well above the current market price.

Sir Ernest would not be drawn on his own target for a break-up value. "If someone offered me 10 pounds a share I'd say, 'Can I have that in writing?' If they gave it to me in writing I'd take it," he said yesterday. James Heal, an analyst with stockbrokers Hoare Govett, said: "He appears to have put the business up for sale. But it's quite clear there aren't going to be any deals for 12 months at least. The only question is how much the company is worth."

Profits for the year to March

fell from £70.4m to £40.4m, the company said yesterday, in line with the last profits warning in April. Operating profits from continuing businesses rose by 6 per cent to £78.9m before exceptional charges of £29m. The problem division was data products, which lost £19.1m last year and accounted for £19m of the exceptional charges.

Sir Ernest said Racal would not want to keep its stake in the National Lottery if it was turned into a non-profit making organisation. He also admitted to embarrassment at pay rises for executives at Camelot, in which Racal has a 22.5 per cent stake. "We run the most efficient lottery in the world. Are you going to risk putting in someone new when the thing is doing so well?"

Comment, page 25

## Lloyd's names to match capital put up by corporate members

Tom Stevenson  
Financial Editor

Lloyd's of London yesterday confirmed plans to force traditional names to put up the same amount of capital as the insurance market's new corporate members do to support their underwriting.

It bowed to pressure from individual members, however, to extend the time period over which it plans to level the playing field.

The plans are part of a package of measures designed to strengthen the financial security that underpins Lloyd's. The proposals have been criticised as being the latest move to encourage corporate capital to the market at the expense of traditional names, a charge Lloyd's denied yesterday.

Names are now to be given

three years rather than two to meet new requirements to show evidence of assets worth 50 per cent of the premium income they want to underwrite. The change was made after responses to a consultation document on the proposals published last month.

Currently names only have to lodge funds representing as little as 20 per cent of their underwriting limit at the market whereas corporate members have to put 50 per cent in trust. By 2000, names will have to hold 40 per cent of premium capacity at Lloyd's with a further 10 per cent backed by other personal wealth.

The time for names to increase their minimum level of means to £250,000 has also been extended by three years to five years and will now come into force in 2002. Allowances

for reaching these levels are being made for names who have fallen below the minimum level of capital as a result of the disastrous losses at Lloyd's in the five years to 1992.

Lloyd's is pressing ahead with a proposal to prevent names from using their principal private residence as collateral for underwriting. It has decided, however, to allow names to continue using letters of credit backed by their homes if the arrangement was in place before the end of 1994.

The decision to strengthen Lloyd's so-called chain of security follows the near collapse of the market after an accumulated £8bn of losses between 1988 and 1992. Last week the market announced a £1bn profit for the 1994 year of account following a similar surplus in 1993.

Meanwhile, DTN, supported by the cable company NTL and United News & Media, said: "In the absence of a clear leader in digital terrestrial, no single party is likely to be able to drive the process of adoption forward in the same way."

BDB has made it hard for the ITC to split the licences by failing to apply for any combination of two multiplexes. If the licences were to be shared, DTN would get two and BDB one, according to industry observers. A decision from the ITC is expected next week.

Unsubsidised boxes would retail at around £350. However, in forming British Interactive Broadcasting last month in conjunction with BT, Matsushita Electric and Midland Bank, BSkyB has pledged to offer boxes costing £200 for the launch of digital satellite television next spring.

STOCK MARKETS									
Index	Close	Day's change	Change (%)	1996/97 High	1996/97 Low	Yield (%)	Index	Close	Day's change
FTSE 100	4557.80	-5.00	-0.1	4692.90	4056.80	3.80	Nikkei	14780.17	-230.73
FTSE 250	4482.00	-19.90	-0.4	4728.40	4482.00	3.66	Dow Jones	8624.74	+20.12
FTSE 350	2212.70	-3.90	-0.2	2272.10	2017.90	3.61			
FTSE All-Share	2281.01	-10.34	-0.5	2374.20	2178.29	3.09			
New York	7333.62	+44.21	+0.6	7383.41	5032.94	1.73			
Tokyo	20958.16	+111.31	+0.5	20563.18	17303.85	0.81			
Hong Kong	14780.17	-230.73	-1.5	14990.90	12658.17	2.87			
Frankfurt	3624.74	+20.12	+0.6	3674.36	2948.77	1.51			

Source: FT Information

INTEREST RATES									
Index	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	10 Year	30 Year
UK	6.44	7.00	7.00	8.04	7.15	8.16			
US	6.56	6.13	6.84	6.65	6.89	6.85			
Japan	0.47	0.79	2.58	3.20					
Germany	2.97	3.21	5.84	6.42	6.62				

CURRENCIES									
Index	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	10 Year	30 Year
US	1.6381	+0.0026	1.5124						
UK	1.5284	+0.0026	1.5138						
DM	2.2240	+0.0041	2.2315						
¥	189.591	-10.284	184.275						
₹	100.0	+0.2	85.1						

## Grid puts off plans to find Energis partner

National Grid Group, the privatised power transmission business, has put off imminent plans to find an equity partner for its fast growing telecommunications business, Energis, after a better than expected operating performance, writes Chris Godsmark.

Energis's revenues more than doubled last year from £42.8m to £97.1m as its network expanded. Investment was £90m, with £300m expected over the next three years. It now serves 33,000 business sites in the UK and plans to build direct links to companies in London's Docklands.

The network also unveiled an operating agreement with Deutsche Telekom, though David Jones, National Grid chief executive, said there was no longer such a strong need for full-blown strategic alliances. "Certainly we have had discussions with a number of potential partners. In the meantime, the business has moved on quite dramatically."

The Grid announced a 12 per cent rise in profits for the year to March to £291.4m and raised its dividend by 8.4 per cent to 11.13p. Cost savings this year would be in double figures.



David Jones, National Grid chief executive

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The problem was that the Amstrad PC was – and Mr Sugar is the first to admit this – a one off, a bit of fluke really, and as the competition caught up and overtook him, he could never find anything remotely comparable to replace it.

## A death that will not be mourned in the City

So farewell then Amstrad, the company that brought PCs to the masses. The City, for one, won't regret your passing, and nor will Alan Sugar, your creator, who has been just dying to throw his company to the wolves, as much out of pique as anything else, ever since the City turned down his plans to take it private.

The story of Amstrad's rise and fall has been much told, analysed and commented upon and it is perhaps unnecessary to go over it all again now. All the same, a little piece of history passes into the mists of time with the final demise of this one time wonder stock. So it is worth recalling what Amstrad once stood for and why, like so much of the 1980s, it was never going to last.

Alan Sugar came very much from the barrow boy school of entrepreneurialism, and while there's nothing wrong with that, his instinct was always going to be that of the street trader he originally was. But to claim, as some do, that he epitomised the fast buck, short termist culture of the rolling 1980s, is too harsh a judgement. His brilliance was in making first the word processor, and then the PC, accessible to the mass market. Many followed in his wake, and the market eventually fragmented and matured beyond his reach. But he was the first, and his achievement in galvanising and energising an industry in this way, is a very considerable one. He was one of the catalysts for the PC revolution.

The problem was that the Amstrad PC was

also – and Mr Sugar is the first to admit this – a one off, a bit of fluke really, and as the competition caught up and overtook him, he could never find anything remotely comparable to replace it. In the circumstances, Amstrad's decline was probably managed as well as it could have been, and though Mr Sugar was severely criticised for attempting to take his company private at what was widely believed to be an undervalue, it is worth noting that Amstrad shareholders would have done rather better by accepting his offer and reinvesting the proceeds in the stock market than by staying the course.

When a man doesn't want to work for you, he doesn't want to work for you, and if Amstrad was going nowhere before Mr Sugar's bid, that's been doubly the case since then. So yesterday's breakup proposals are probably the best course left open to Amstrad's shareholders. And if any of them still have a stomach for Mr Sugar's, shall we say, somewhat cavalier approach to the investment community, they can always try their luck with Tottenham Hotspur, where Mr Sugar is perilously close to mismanaging his star player, Teddy Sheringham, out of the side.

### Sir Ernie's huge task to develop value

From one old pro, to an even older one. Sir Ernest Harrison is famous for pulling rabbits out of his accountant's hat, but at 71 his

final challenge – to revive Rascal's flagging share price – may well prove beyond him. No amount of banging the shareholder value drum yesterday, which has long been Sir Ernest's favourite instrument, could conceal the scale of the task.

Let's be blunt here. All the best bits of Rascal have already gone. His biggest coup, for which shareholders will be eternally grateful, was to hived off Vodafone. Five years later the mobile phone business is worth £8.4bn, almost 13 times the value of its former parent. Then came Chubb Security, bought earlier this year by Williams Holdings for £1.3bn. Six years ago Williams bid less than £800m for the whole of Rascal.

What is left may not be the ragbag of assets some commentators claim, but it nevertheless remains a collection of medium-sized fish in a very deep corporate pond. Sir Ernest freely admits that. All the main subsidiaries – defence, telecommunications and data products – would surely sit better in the lap of giants like GEC, British Aerospace or AT&T. Rascal's already stretched balance sheet cannot provide the kind of investment needed to catapult growth into the fast lane.

Which leaves Sir Ernest with a bit of a dilemma. To produce another Vodafone would take time, money, and more luck than anyone deserves in a lifetime. Unfortunately, he's running out of all three. The next best alternative for investors would probably be a series of substantial asset sales. Yet here

again Sir Ernest has lost the element of surprise, precisely the weapon which stood him in such good stead in the early 1990s.

He may not be sticking an "everything must go" poster in the shop window, but the effect is much the same. All the likely buyers know he's a seller in the right circumstances and they'll be pricing accordingly. Even so, a Rascal break-up, with the money returned to shareholders, may be Sir Ernest's best way of realising the value he's so keen to develop.

### Place your bets on digital TV runners

Every day, seemingly, brings a fresh episode of speculation on the soon-to-be-awarded licences for digital terrestrial television. The latest wrinkle comes from Kleinwort Benson, which argues convincingly that the two rival consortia would probably have to merge in the event that the Independent Television Commission decides to split the three licences between them. The split licence approach has become very much the fashionable theory in the industry and the City, since it would allow the ITC to duck the politically charged decision of choosing between the two and allow it to give something to both.

The trouble is, as KB points out, that both consortia are saying they couldn't afford to subsidise the costs of the set top box unless

given all three licences. And without the box, there will be no digital terrestrial. Ergo, the two consortia would have to merge, which in turn would mean that Sky, the largest and most aggressive of all the companies involved in the bidding, would end up running the show. In other words, splitting the licence would be self-defeating, and if the ITC wants to minimise Sky's influence on the new platform, it is going to have to award all three licences to the rival consortium, NTL and Lord Hollick.

Whether any of this speculation has much bearing on the ITC's deliberations is anyone's guess. In theory, the ITC is an entirely independent body, evaluating the rival proposals in judicial manner according to a prescribed set of criteria and standards. The ITC is meant to be entirely immune to the cut and thrust of public lobbying and debate. In practice, however, it cannot help but be influenced by the general noise around it and it may be worse than that.

Not that Labour's policy on media matters gives much of a clue to the outcome, for so far, there doesn't seem to be much of a policy. Ranting against the bonuses of Camelot bosses is about the most coherent thing we've so far had out of Chris Smith, our new Heritage Secretary, which isn't saying a lot. So place your bets. A month ago, we would certainly have said Sky and BDB. But the odds are changing by the day, and the rivals, Lord Hollick and NTL, are now the bookies' favourite.

## Zeneca's £46m bid for Netherlands biotech faces revolt

Sameena Ahmad

Zeneca, the UK drug giant, has locked horns with a small band of Dutch shareholders who are threatening to scupper its £46m agreed bid for Mogen, the Leiden-based plant biotechnology company.

The shareholders, who attended an emergency general meeting held by Mogen yesterday, have opposed the bid, accusing management of selling out to Zeneca at too low a price. Zeneca is offering 13.75 Dutch guilders (433p) a share which compares with Mogen's price of more than 30 guilders before the bid was announced in early April.

Eelkman Rooda, who runs the Rotterdam-based corporate finance company, Eelkman Rooda, Van Lawick & Co which is representing the shareholders said: "They are very angry and disappointed at Mogen's management. They gave us the impression that they did not discuss price with any of the other bidders in the pre-qualifying round."

Mr Rooda estimated that small shareholders representing more than one-third of Mogen would reject Zeneca's offer. Although Zeneca has secured commitments from six institutions representing 51 per cent of Mogen, the group has said the offer, which closes on 16 June, is conditional on it getting at least two-thirds of the shares tendered.

Under Dutch takeover law, achieving over two-thirds acceptance would mean Zeneca was obliged to buy Mogen. Stuart Shields, a manager for Zeneca Agrochemicals said: "If we don't get two-thirds we could continue, but there's not much point. Having a substantial minority shareholding would limit our freedom to act and change things."

Arie Breure, managing director at Mogen, denied that he had not discussed Mogen's price with other bidders, but indicated that in the initial round, which involved 19 companies, strategic fit was a more important consideration.

"Mogen has not got a major track record in profits and turnover. For technology companies it is essential that there is a strategic fit with the company that is bidding," Mr Breure said.

He added that five of the 19 companies expressed serious interest in Mogen and that three, including Zeneca, went into a second round of due diligence. Though he would not say if price was discussed throughout the bidding process, Mr Breure said that Zeneca's was the highest offer. "I had hoped to get a higher bid out of this process, but Zeneca's was the best," Zeneca had originally bid 12.50 guilders before raising its offer.

Mogen shareholders are believed to have become disgruntled after the German group Aggrevo bought the agricultural biotech PDS for around 110 times revenues. Mr Eelkman said that Zeneca's offer valued Mogen at around 10 times revenues. "This price does not reflect the real value of the company", he said.

## CIA vulnerable to takeover as rival buys stake

Cathy Newman

CIA Group, the media buying network, looked increasingly vulnerable to a takeover bid yesterday after WPP Group, the world's largest advertising and marketing conglomerate, paid £10.2m for a 14.4 per cent stake in the company.

WPP bought Blugroup Holding, which is wholly owned by CIA Group's former vice-chairman, Marco Benatti. Mr Benatti said at the end of last year that he would sell his stake "for personal reasons".



Martin Sorrell: Firm believer in media consolidation

While the sale of Mr Benatti's 6 million shares was widely expected, and is believed to have followed disagreements on international strategy, the identity of the buyer took the industry and CIA by surprise. WPP's purchase was seen by some observers as a launch-pad for a full bid, despite the company's claims that it was an investment.

It is understood WPP would be prevented from launching a bid within 12 months under the terms of the agreement with Blugroup. WPP would pay Blugroup an additional £3.3m if, within that period, a bidder paid

up to a maximum of 225p per share for CIA. WPP paid 170.5p for Mr Benatti's stake, compared to yesterday's closing price of 174.5p, up 14.5p.

CIA's executive chairman, Chris Ingram, reacted defensively to the news. "We've been independent for 21 years and we like it that way," he said. He added it was not a problem "as long as it remained an investment".

WPP's move increases the pressure on CIA to form strategic partnerships with major players if it is to retain its independence. Mr Ingram said only last month that he had set his sights on expanding in the US, and wanted to be one of the top six media buying points in the world by 2001.

Martin Sorrell, WPP's chief executive, is a firm believer that the media buying industry must mirror rapid consolidation among media owners. It is highly likely that his network will play a high-profile role in future rationalisation.

Some analysts interpreted the news as a signal to WPP's agency networks, J Walter Thompson and Ogilvy & Mather, to speed up integration of their own media buying and planning facilities. Mr Sorrell has been keen to establish greater co-operation between the two agencies, and senior executives are working on plans to merge the media departments at JWT and O&M.

One analyst said buying a significant share of CIA indicated that staff at JWT and O&M that Mr Sorrell could achieve his media buying ambitions by looking outside WPP. The analyst said: "Mr Sorrell has been close-mouthed about improving the co-ordination of media services in WPP Group. This sends warning shots across the bows internally."

## UKAV to buy 65% share in Mansfield

Tom Stevenson

Julian Tregier and Brian Myerson, the scourge of underperforming managements through their UK Active Value vulture fund, are to stop telling others how to run their business and do it themselves.

After a sequence of high-profile rebel shareholder campaigns at Scholl, Greycoat and Signet, the South African entrepreneurs have bought into a stock market shell to use as an acquisition vehicle.

UK Active Value yesterday announced a £5m subscription to new shares in John Mansfield, a quoted timber business with a market value of just £3m. Following the share purchase UKAV will hold 65.4 per cent of Mansfield's shares.

The deal is expected to be followed within months by sizeable acquisitions of undervalued companies. Targets are already in place with the first purchase thought likely to cost around £250m. Acquisitions will be funded with a mixture of cash and shares.

The subscription for the shares is to take place at 3p a share, a small discount to the prevailing price at the time negotiations started between the company and UKAV. Yesterday's announcement, and the appointment of Mr Myerson and Mr Tregier as joint chairmen, sent the shares up from 5.5p to 8p.

The acquisition of John Mansfield marks a departure from UKAV's confrontational style which has been criticised as no more than corporate raiding. Since 1993 it has picked on underperforming stocks, built up a stake, put the squeeze on management and forced through a sale or break up to release value. Now it must prove it can practise what it has preached.

## Senior PIA official resigns

One of its most senior officials responsible for pension compensation and compliance at the Personal Investment Authority, the frontline financial regulator, has resigned, it emerged yesterday, writes Nick Clement.

David Cranston, formerly head of member relations at the regulator, left abruptly on Friday. A PIA spokeswoman claimed yesterday that he left to "pursue other business inter-

ests", but was unable to say what they were.

She was not prepared to say whether Mr Cranston had served out part of his notice period, but added: "He leaves with our thanks and good wishes." He is being replaced by Roger Bright, who moves over

from the regulator's finance and operations division.

Mr Cranston's job at the PIA placed him in charge of ensuring that its members were fully involved in resolving the pension mis-selling scandal. Barely 10 per cent of cases have been dealt with.

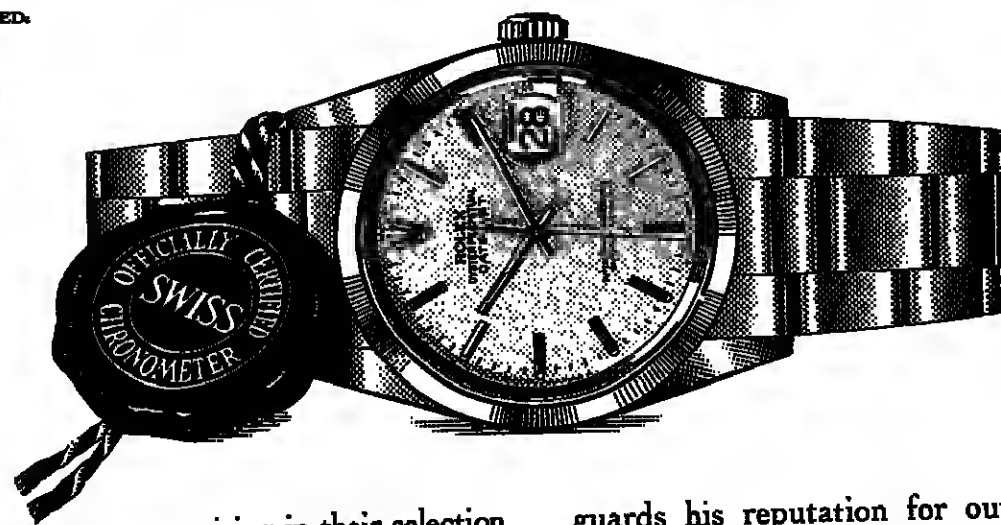
A former military helicopter pilot, he was also responsible for making sure that the regulator's staff dealt with tens of thousands of cases inherited from former members that had gone bust. Earlier this week, it was revealed that just one person whose case was be-

ing dealt with by the PIA had been compensated.

Sources inside the PIA said Mr Cranston, who joined the regulator about two years ago, was being blamed for its failure to resolve the compensation problem. His relative inexperience within the financial industry, it was suggested, meant that Mr Cranston relied heavily on his executive assistant, Carmel Kelly, for advice.

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## business

# Vodafone profits hit by aftermath of price war

Chris Godsmark  
Business Correspondent

Intense competition in the UK mobile phone market will continue to eat into profit margins according to Vodafone, the largest of the four British networks, which last year continued to feel the aftermath of a damaging price war.

The downturn assessment came alongside encouraging news from Vodafone's expanding overseas operations, which revealed their first set of annual profits yesterday.

Chris Gent, Vodafone chief executive, said earnings this year would continue to be hit by the cost of moving customers from the older analogue networks to digital.

Last year incentives to encourage them to stay with Vodafone cost the group £52m. Vodafone Digital had 1.48 million customers at the end of March, giving the company 36 per cent of the UK market, up from 32.1 per cent the year before. It

meant for the first time a majority of customers were on digital.

Revealing a drop in profit margins from almost 40 per cent to 35 per cent, Mr Gent said these one-off costs should fall as the analogue network declined. But he added: "The outlook for margins in the UK is probably modest decline. We are in an increasingly competitive scene."

Last week One 2 One, the smallest of the four networks, launched new price packages which it said were cheaper than the competition. Vodafone and Cellnet were both hit by attracting low-spending customers with cut-price deals in Christmas 1995. Many decided to hand back their phones a year later.

The after-effects were reflected in a drop in Vodafone's average customer revenue from £481 to £427 and an increase in churn, which measures how quickly people leave the network. The UK subscriber base



Expensive competition: Chris Gent said Vodafone spent £52m on customer incentives

grew more slowly, by 415,000 customers last year compared with 633,000 customers the year before.

Vodafone yesterday reported a 25 per cent rise in its turnover for last year to £1.75bn, though pre-tax profits increased more slowly by 13 per cent to £539m.

Profits from the UK operations rose by 5 per cent to

£519.1m, while overseas profits were £10.5m compared with losses of £27m in 1995. Total subscribers, including the share of overseas operations, rose by 32 per cent to just over 4 million. The shares were unchanged at 271.5p.

Mr Gent said it was "very likely" that Vodafone would take up an option to increase its

stake in the French mobile network, SFR, from 16.1 per cent to 20 per cent.

The investment brought the UK group into an unlikely link last year with British Telecom, which bought an indirect stake in SFR and also owns 60 per cent of Cellnet. "We are good competitors and good allies," said Mr Gent.

## Evans joins new biotechnology company

Sameena Ahmad

Just months after pledging that he was "at saturation point" and would not launch another new venture for at least five years, Chris Evans, the biotech entrepreneur, has taken a non-executive post in Microscience, a biotechnology company which hopes to list on the UK market in three years.

The company was launched

yesterday by Merlin Ventures, the seed capital company founded last year by Dr Evans, and by the Royal Postgraduate Medical School. Microscience's technology base is aimed at bringing new antimicrobial vaccines and drugs to market.

The drugs and vaccines will include the prevention of infectious diseases that have become resistant to antibiotics and Group B Streptococcus.

Merlin also yesterday completed a £2.5m first round private fundraising for its other company, Cyclacel, which is developing a cancer drug. Cyclacel is chaired by Dr Evans and could float on the stock market in two years.

Liz Holt, a director of Merlin, denied that Dr Evans had taken on too many roles. Dr Evans, who recently stood down as a non-executive chairman of

Chiroscience, is also the founder of three quoted groups - Toad, the car security company, Celsis, the biotechnology group, and Enviro, the environmental products and services company.

Ms Holt said: "Chris now has a team of seven of us sharing the work that he was taking on alone. That's why Merlin was founded. I don't think anyone will ever stop Chris founding

companies. The saturation point comment was taken out of context. There are seven of us here striving to get to saturation point."

Ms Holt said Merlin aimed to get initial private funding for its companies within four to six months. After that Merlin would hope for just one more injection of venture capital before a public listing three to five years after launch.

## From Ambassador to insurance missionary

Legal & General has appointed David Kerr from Ambassador Insurance, a subsidiary of Lloyds TSB, to develop its private medical insurance business. PMI itself has been a casualty of the recession and rising costs of private hospital care. L&G went into the business of providing insurance to cover medical bills only 18 months ago, marketing it first to its existing personal customers. Mr Kerr's job will be to convince small and medium-sized companies that this is a cost-effective service to provide or subsidise, that will pay dividends in improved health and employee loyalty.

He also has to keep a close eye on the way the new Government's views on private healthcare develop. This is an unknown territory and L&G, like its rivals, is anxious to be constructive and co-operative and make a positive contribution to future policy without getting itself on the wrong side of Government policy on the subject.

Married with four children, the oldest of whom is a medical student, Mr Kerr is a compulsive acquirer of qualification. He is an ACIB from his early days in the private banking division of Lloyds Bank. He also has degrees in law and marketing, and is currently doing an MBA at Henley. His parents both started working in the healthcare industry even before the NHS. Aged 44, he still skis and runs, and completed the London Marathon in 1995 in a time of around 4 hours. Next time he hopes to have the confidence as well as the contacts to attract some useful sponsorship.

Grant Baird, the chain-smoking former Bank of Scotland and Royal Bank of Scotland economist who now runs the Scottish Financial Enterprise, tells me the main concerns of Scottish business - now the devolution bandwagon is rolling - is that, just as the UK runs the risk of seeming semi-detached from Europe, so Scotland may be seen as semi-detached from England. This is at a time when foreign businesses are debating where to place their next investment project. Scottish companies also worry that tax-raising powers could disadvantage them and make it harder to attract and hold their skilled workers.

The Referendum Bill comes at a time when Scottish companies are sharing the strength

### PEOPLE & BUSINESS



Keen eye: David Kerr's L&G remit is to scrutinise the Government's developing policy on private healthcare

of the UK economy without suffering from attendant problems of inflation and soaring house prices. Excluding investment trusts, there are now 87 quoted companies run from Scotland, with 15 new listings in the past two years, plus another 19 traded on AIM. The Scotsman's index of Scottish share prices, irreverently known as the McFootsie, shows strong share price performance this year. Scottish banks and insurance companies are making the running in the buoyant financial sector.

I have to report, however, a dispute over the impact of hid fever on the strongly mutualised Scottish life assurance industry. Edinburgh-based Mr Baird takes the view that the takeover of Scottish Amicable by the Pru was largely beneficial. Alf Young, the legendary and long-time economics editor of the Glasgow-based Herald, called Mr Baird "Dr Fungloss". Mr Baird replied by comparing Young and his down-laden warnings to Dad's Army's Private Frazier.

The eight-man crew of the yacht Medusa that won the annual Hoya Round the Island race round the Isle of Wight last Sunday are all brokers for Sedgwick International Broking Services. For good measure they picked up three class victories and the Royal Thames Yacht Club Challenge Cup for their performance. A spokesman praised the will to win so common in the broking fraternity. It helps, of course, that the Sedgwick Group owns the yacht which doubles as a competition yacht and a vessel for corporate advertising and hospitality. It also helps to have two sailors, skipper and helmsman Ben Nicholls and tactician Fred Blake, who have represented Britain at the national and Olympic level. Another crewman, Chris Clarke, is an England A rugby player. The crew is now in training to meet other City crews in the Sedgwick Challenge.

Clifford German

### IN BRIEF

#### Halifax shares slip below auction price

Halifax shares fell yesterday below the auction price at which early sellers were able to cash in their conversion windfalls. The price closed 10p lower at 724.5p yesterday, continuing the 40p slide in Monday's first dealings following their 774.5p opening. Members who chose to receive cash rather than shares will receive 732.5p a share on Friday, worth a minimum of £1,465. The average payout for members who auctioned shares was £2,400. A second and final auction of around 9 million shares was held on Monday, achieving 732.8p on average.

#### Decision on BA alliance by autumn

No decision on the planned alliance between British Airways and American Airlines could be expected until autumn, said Karel van Miert, European Competition Commissioner. He said that, under the clearance procedure, the EU consultative committee had to be consulted twice and this would take the decision until after the EC's August break. A spokesman for British Airways said: "Our view all along has been that timing is not the key issue: the end result is." He added that the company had "high hopes of progress in the USA" today when Robert Ayling, chief executive of BA, and Robert Crandall, chairman of AMR, the owner of American Airlines, appear at a Senate aviation hearing in Washington.

#### Labour awards first outsourcing contract

Sema, the high-flying Anglo-French information technology company, has won the UK's first public sector outsourcing contract awarded under the Labour Government. Sema, whose shares were more than doubled over the past year, will run all the non-operational IT businesses for the National Air Traffic Services (Nats) subsidiary of the Civil Aviation Authority.

The contract, which runs initially for four years, is believed to be worth £30m and is extendable for up to 10 years. Sema, which won against stiff competition, will operate everything except air traffic control and security for Nats, including all the administration and IT at 18 UK airports.

#### Oasis shares plunge on warning

Shares in Oasis Stores plunged by 73p to a year's low of 267.5p after the fashion retail chain warned that first-half profits would be materially lower than those achieved in the comparable period last year.

In a statement, the company said that sales growth since the year end had been below its "fairly demanding" expectations. In addition, the company said it experienced some pressure on gross profit margins due to a higher level of markdowns than planned.

#### Rolls-Royce wins \$150m of orders

Cooper Rolls, a joint venture between Rolls-Royce and Cooper Cameron of the US, has won orders from pipeline and gas companies for 15 gas turbines worth \$150m (£92m). The biggest customer is Northern Border Pipeline, ordering 11 Coberra 6000 units for gas transmission at compressor stations in Montana, North Dakota, South Dakota and Minnesota. Delivery is set for autumn. Other customers included companies in Canada, Slovakia and the UK, with deliveries ranging from this year to 1998.

#### Slowdown in growth at Eurocopy

After five years of steady growth in pre-tax profits, Eurocopy reported a more pedestrian advance from £2.37m to £2.44m for the six months to 31 March which benefited from an increase in interest receivable. Despite the slowdown the interim dividend rises from 0.88p to 0.93p. Cyril Gay, chairman, said he believed the group was pursuing the correct strategy despite the difficulties and uncertainties emerging in the photocopying market. Investors in Eurocopy were disappointed by the results and the share price fell 3p to 64p.

#### House prices close to all-time high

House prices rose by 1 per cent last month and are now within 3 per cent of their high point reached in 1989, according to Halifax yesterday. The former building society said the rise in May meant house prices were 6.6 per cent higher than 12 months ago. Prices paid by first-time buyers rose 1.7 per cent and are 7.3 per cent above levels a year ago.

### THE INVESTMENT COLUMN

EDITED BY MAGNUS GRIMOND

## MEPC waits for efforts to pay off

MEPC, the property group, has been a lacklustre performer over the past few years, with net assets per share barely moving since 1992. But management, led by veteran chief executive James Tuckey, has been shaking things up of late, spurred on by the bid approach from rivals Hammerston in March.

In the past three-and-a-half years some £1.8bn of purchases, sales and developments have taken place, leaving around 70 per cent of the portfolio focused on the UK, with another 20 per cent in the US. Mr Tuckey has also attempted to address criticisms that the group has too many small and poorly located properties, cutting the number of sites by 25 per cent. MEPC has been left with an estate equally balanced between office and retail properties, with just over 10 per cent in industrial units.

The fruits of these efforts have yet to come through in the figures. Yesterday's interim results showed pre-tax profits all but wiped out in the six months to March, slumping from £67m to £2.5m. But that represents the pain before the gain. The damage was caused by the decision by the finance director, James Dundas, to unwind a series of expensive interest rate swaps at a one-off cost of £73.2m. The gain will come in the form of an expected £60m of reduced interest costs up to the end of the century.

Mr Tuckey's radicalism does not end there. The group is outsourcing the management of much of its UK estate to allow management to focus on making money. Last September's decision to divide central management of the group's portfolio by type of property rather than by geography has the same aim in mind. The segmentation will allow the easy sale or separate flotation of any underperforming parts of the business.

But the real excitement should come from the £470m purchase and development programme over the next few years, spearheaded by Robert Ware, who has just been appointed corporate development director. The new has towards leisure and retailing, which saw the £80m acquisition of three factory outlet centres from C&J Clark in April, should put the group in good stead for the future.

Further corporate activity is on the cards. Mr Tuckey's reasons for rejecting Hammerston sound convincing: its £800m development programme represents a big gamble on the recovery in the property market continuing. While it does, MEPC looks a reasonable bet, especially given net asset value forecasts for the current year moving up to north of 400p a share against a share price of 515p, down 0.5p. However, investors may have to be patient, given the weight of negative sentiment surrounding the group.

#### De La Rue loses its sex appeal

Two years ago, De La Rue looked like a sexy, go-go business. Then its shares stood at over £10 and it enjoyed a heady rating of almost 20 times earnings. Now, after three profits warnings and yesterday's disappointing results, it has become abundantly clear that the group's core business of banknote printing is mature, over supplied and cyclical.

As bumper work from newly emerging Russian states has declined, so has De La Rue's share price, which fell a further 13 per cent to 421.5p yesterday after underperforming profits for the year to March dropped 19 per cent to £120m. Neither of the group's other two divisions - cash handling and transaction systems - can compensate for the tough banknote market. With only the euro, whose launch is growing increasingly uncertain, and the remote potential of the smartcard market to offer brighter growth prospects, analysts have downgraded profit forecasts. Merrill Lynch cut its 1998 numbers from £127m to £110m.

Profits from security paper and banknote printing fell 19 per cent to £62m, with margins 4 per cent lower as the costs of providing better quality notes outweighed a small rise in paper prices. With a hefty 60 per cent of the world market for privately printed banknotes, De La Rue can run the business more cheaply than most competitors, but it is becoming increasingly reliant on unpredictable and short contract overspill work - providing governments with top-up capacity. De La Rue's acquisition of Philips' smartcard business could pay off, but given heavy upfront investment, profits from that division will be flat for at least the next two years. The only growth area is cash handling and security systems, helped by new management and new products.

The shares look fairly valued on 12 times forward earnings, but add in the scope for more disappointment, like the Camelot associate losing its lottery franchise, and there is no reason to huy the shares.

#### MEPC: At a glance

Market value: £1.16bn, share price 515p

	1994	1995	1996	1997
Full year				
Gross profits (£m)	347	375	390	375
Pre-tax profits (£m)	111	123	140	67.0
Net assets per share (p)	472	457	457	468
Dividends per share (p)	20.0	20.0	20.0	5.25
*not revealed				5.25

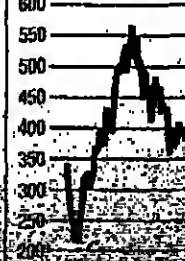
#### Net income

Half year to March 97



#### Share price

per cent



## Norwich dangles a sizeable carrot

Only a broken TV set or an extended holiday recently would have prevented Norwich Union members from being aware of the fact that they have until next Tuesday, 10 June, to apply for further shares in the mutual insurance group's £2.4bn cash raising. Just to make sure, the group is pitching the shares being sold to its existing members, who are already receiving free handouts worth at least £1,500, at a 25p discount to the price other shareholders, including the big institutions, will have to pay. With a strike price estimated at between 340p and 290p, that means members are being offered a discount of around 10 per cent, a sizeable carrot.

It is certainly an attractive deal, although because Norwich is choosing to raise fresh capital at the same time as its conversion to a publicly quoted company, institutions will not be quite so desperate as with Halifax and Alliance & Leicester to buy a meaningful weighting in the stock. That means the silly rais-

ings applied to the building societies are unlikely to be repeated.

That said, Norwich Union is a well-regarded company, operating in a market that is bound to grow fast thanks to the steady unravelling of the welfare state. Its management has an improving reputation and there is still plenty of scope to cut costs. Most of the benefit of that process will now accrue to shareholders. Sales and profits from the UK life business are improving substantially, while the smaller general insurance arm has refocused on personal and small commercial lines and away from long tail policies and large risks. There is a strong healthcare business.

The dividend is well covered by life profits, so a gross yield at the flotation price of near 5 per cent is both safe and attractive against the rest of the market. With a current "grey market" price of 305p, members should take up more shares, while the equity also looks reasonable value for outside investors.

## Dairy Crest 'on track for 10% earnings growth'

Magnus Grimond

Dairy Crest, the marketing and processing arm of the old Milk Marketing Board, said yesterday it was on track to reach its target of 10 per cent earnings growth this year, despite difficult markets for liquid milk. The optimism sent the shares up 5.5p higher to 220p yesterday, close to their all-time high and well up on the 155p at which the Yoplait 10 Clover spreads business was floated last year.

Unwilling the group's first set of full year results since the stock market launch, the chief executive, John Houlston, said that "without making a forecast we are confident that we are on track to hit our 10 per cent target". Profits would be increasingly weighted to the second half of the year, given the seasonality of many of the group's brands like David's mature cheddar, which do well in the run-up to Christmas, he said.

The latter part of the year should also be boosted by the launch of the new "Football Milk" - a semi-skimmed variety, fortified with vitamins and featuring the colours of teams such

as Arsenal, Liverpool and Manchester United. The new cartoons go on sale in a few weeks' time, for the start of the new football season, and follow a similar range covering the rugby Super League launched in March. Ignoring the effects of the capital restructuring prior to the listing, profits rose 13 per cent to £35.5m in the 12 months to March, a rise which would have been 16 per cent if the float costs of £900,000 were stripped out. A final dividend of 6.64p makes 9.9p for the year, for a notation



John Houlston: Fears margin squeeze from strong sterling

al increase of 8.8 per cent over the pro forma total for 1996.

The higher results were achieved despite a "challenging" market for liquid milk. Mr Houlston said. The group, which with over 16 per cent of the market is one of the leading suppliers to the retail market, saw the growth in volumes almost halve from 13 per cent to just 7 per cent in the year. Meanwhile, the higher selling prices achieved in the spring of 1996 have been eroded by competition from rivals. Mr Houlston described as "disappointing" the fact that the benefits of the 2p a litre cut in selling prices posted by Milk Marque, the dominant supplier, in April had already been lost.

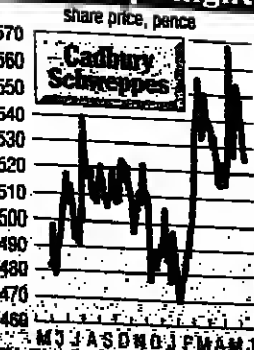
But much of the pain has been felt in the food services operation, including dairy ingredients and doorstep deliveries, which saw its operating profits slip £2.3m to £12.9m. Mr Houlston warned that the continuing strength of sterling and further reductions in intervention floor prices meant the margin squeeze in the ingredients business was set to continue into the first half.



## Data Bank

FTSE 100	4557.8	-5.0
FTSE 250	4462.0	-19.9
FTSE 350	2212.7	-3.9
SEAQ VOLUME	965m shares,	
	50,103 bargains	
Gifts Index	96.73	+0.63

## Share spotlight



## Dealers tune into Footsie relegation cliffhanger

## MARKET REPORT

## DEREK PAIN

stock market reporter of the year



With Footsie due to welcome two, possibly three, new constituents this month, the stock market busied itself spotting the relegation candidates.

It is likely to be a cliffhanger with the result in doubt until next week's meeting of the selection committee.

Former building societies Alliance & Leicester and Halifax are assured of inclusion with respective capitalisations of £3.5bn and £1.8bn. Williams, the fire protection and security group, may creep in.

Smith & Nephew, the health care group and Burton, the retailer, are two likely casualties. Imperial Tobacco and Hanson could also be in danger.

Changes to Footsie's composition can be of significance to the so-called tracker funds which devote their activities to index stocks.

At one time shuffles to Footsie were fairly marginal. Nowadays most quarterly meetings

produce more than one change with demergers prompting moves between meetings.

Alliance fell 5p to 596.5p and Halifax, at one time off 20.5p, ended at 724.5p, down 10p. Williams, which took over the Chubb security business after its removal early this year, was little changed at 313.5p.

Among the endangered stocks Imperial fell 3p to 372p and its former parent Hanson 3p to 304p.

The market had a volatile session with Footsie at one time down 38.6 points. It closed 5 lower at 4,557.8 with firm gilts and the sight of New York in positive territory offering encouragement.

Although below the Halifax-inspired levels of Monday, trading was again active with turnover edging towards 1 billion. Halifax volume was 21.45 million.

At one time shuffles to Footsie were fairly marginal. Nowadays most quarterly meetings

group, was a weak Footsie constituent, melting 15p to 526.5p. Once again worries about its US soft drinks interests, where it is locked in conflict against the might of Coca-Cola and Pepsi Cola, did the damage.

The latest rumour to cross the Atlantic is Coca-Cola is trying to squeeze Cadbury's Dr Pepper and Seven-Up brands out of McDonald's by offering the eating-out chain an exclusive deal.

The removal of Cadbury brands is not seen as a major financial blow to its US operations. Still the latest shot in what has developed into a bitter battle tended to underline the

daunting struggle the British group faces in America. BG, once British Gas, was the day's top performer, flaring 12.5p to 217.5p, highest since the break up.

Talk Deutsche Morgan Grenfell had repeated its 300p target was one influence; another was a legal victory by a group where BG has a 51.18 per cent interest which could lead to damages of £150m. This month's Monopolies & Mergers Commission report is also thought to favour BG over the industry regulator, Ofgas.

Financials steadied a little after Monday's shake-out with Barclays up 26.5p to 1,161.5p. Insurances, awaiting Norwich

Union, attracted support with Legal & General putting on 16.5p to 435p and Prudential Corporation 14.5p to 611.5p.

Amstrad gained 13.5p to 277p on the Alan Sugar restructuring and CIA, the media buyer, jumped 14.5p to 174.5p as WPP, the advertising agency, emerged as a 14.4 per cent shareholder. WPP gained 5p to 247p.

Sporting retailers felt the pinch. The Nike profits warning continued to take its toll and the problems at John David Sports added to the unease. JDS fell 21p to 250p, a new low, and JJB Sports 19.5p to 473p. Blacks Leisure, leader of the sporting pack, retreated 47.5p to 471p.

Oasis, the fashion chain, produced the day's profit warning and duly slumped 73p to 267.5p. The shares, which have been 421.5p, arrived at 148p two years ago. Another casualty was Tradepoint, the fledg-

ling group which runs its own little order-driven Stock Exchange. Its admission it needs more cash, probably £1m this week and then a £9m cash call, unsettled the market, hitting the shares 20p to a 75p low.

Kalamazoo Computer, which revealed it is involved in talks which could lead to a bid, rose 13.5p to 92.5p. It is, however, 40 per cent owned by the Kalamazoo Trust which, under its deeds, may not be able to accept any offer.

Reason rose 1.5p to 15.5p in busy trading after the departure of Howard Hodgson and girlfriend Christine Pickles. Middlesex Holdings, the metal group, held at 8.25p as ABN Amro Hoare Govett took over as company stockbroker, replacing Hichens Harrison. John Mumpfield, the timber group, jumped 2.5p to 8p. UKAV subscribed £5m for new shares at 3p and intends to hit the acquisition trail.

Talk of more property takeover action. One strong going the rounds suggests Wiggins, unchanged at 9.25p, is eyeing CNC Properties, up 5.5p to 76.5p, a shade below last year's peak.

Wiggins, revived by Oliver Iny, took over Tomorrow's Leisure in a deal pricing the group at £16.2m earlier this year and last week stockbroker Greig Middleton forecast a sharp profits advance.

CNC, born out of the old Clarke, Nickolls & Coombs sweets business, has itself been acquisitive, buying Brightstine Properties and Milburn Estates.

Allied Colloids, the chemical group, formed to 130p; NatWest Securities expects year's results, due today, to show a 28 per cent advance to £5.4m with the dividend lifted 10 per cent to 3.15p.

## Taking Stock

## Share Price Data

Prices are in sterling except where stated. The yield is last year's dividend, grossed up by 20 per cent, as a percentage of the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, including exceptional items. Other details: r Ex rights; x Ex-dividend; a Ex all United Securities Market; S Suspended; pp Partly Paid; pm Not Paid; Shares; & All Stock. Source: FT Information

## The Independent Index

The index allows you to access real-time share prices by phone from London Stock Exchange. Simply dial 091 223 333, and when prompted to do so enter the 4-digit code printed next to each share. To access the latest financial reports dial 091 223 333 followed by one of the two-digit codes below.

FTSE 100 - Real-time	00	Starting Rates	04	Privatisation Issues	36
UK Stock Market Report	01	Station Report	05	Water Shares	38
UK Company News	02	Wall St Report	20	Security Shares	40
Foreign Exchange	03	Tokyo Market	21	High Street Banks	41

Anyone with a tone-dial telephone can use the service. For a detailed description of The Independent Index, including its portfolio facility, phone 091 223 333.

For assistance, call our helpline 071 873 4788 (9.00am - 5.00pm).

## Market leaders: Top 20 volumes

Stock	Volume	Stock	Volume	Stock	Volume	Stock	Volume
BT	26,000	Cable News	15,000	Telecom	10,000	Safeway	9,000
BNP	24,000	Carroll	10,000	British Steel	8,000	Alcatel	8,000
British	24,000	Lytham	10,000	Perpetual	10,000	Telecom	8,000
Midland	10,000	ICI	10,000	Fluor	10,000	BT	8,000
ASDA Group	10,000	National Power	10,000	Media & Sports	10,000	Leeds	8,000

## FTSE 100 Index hour by hour

Open 4540 up 12	11.00 4532.5 down 10.3	14.00 4532.9 down 25.9
09.00 4563.4 up 08	12.00 4526.2 down 36.8	15.00 4533.8 down 24.9
10.00 4550.8 down 12.0	13.00 4534.1 down 28.7	16.00 4529.9 down 14.9
		Close 4557.8 down 5.0

## 1997 Low Stock Price Chg Yld P/E Ratio

Stock	Low	Stock	Low	Stock	Low	Stock	Low
British	24.00	Carroll	10.00	Telecom	10.00	Safeway	9.00
BNP	24.00	Lytham	10.00	Perpetual	10.00	Telecom	8.00
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## 1997 High Stock Price Chg Yld P/E Ratio

723	1939	92 1/2	Maritime Abbey St	15	1928	Dowling Hill Vn	10		
725	1943	187 1/2	Mico Focus	187 1/2	3369	Engle	35		
727	1938	178 1/2	Morgan	12 1/2	57 3/4	3371	Galcher	277 1/2	
		147 1/2	Mingo	1300	5	288	3385	Heller	284 1/2
		134 1/2	Nano Group	33 1/2	55	83	3444	Heart of Midlothian	89 1/2
		658 1/2	Papa M	542	21	823	3589	HO Group	1009
		623 1/2	Payco	547 1/2	88	348	3599	Integrated Air Mgmt	107 1/2
								Adv In Finance	284 1/2



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## sport

**THE ASHES 97:** Australian vice-captain warns that one-day international whitewash served only to restore his team's killer instinct



# Ambivalence of the captain in waiting

**B**reakfast with Steve Waugh. With the first Test at Edgbaston almost upon us, and with the Australians approaching the series in the sort of disarray we normally associate with England, the chances of him being in a good mood are about as much as seeing him smile at the English fielders during the course of this summer.

Worse still, having realised he was not in the hotel reception, I telephone up to his room, to be greeted by a groggy voice. "Give me half an hour," he said. And so I did. On his arrival I told him, in a caring sort of way, that he looked tired. "Not really," he replied. "It's how I always look." So far Steve Waugh is living up to his uncompromising image.

Maybe it's just the shock of being totally outplayed in the one-day internationals and the near hysteria as a consequence in both the British and Australian press. At first Waugh, the Aussies' vice-captain, underlines the importance of the result. "We were playing for our country and none of us like losing at any type of cricket," he said, digging his fork into his sausage with some intent.

"There are a lot of people disappointed, especially back home in Australia. They've grown used to us winning just about everything, and they can't understand how we can lose a one-day series 3-0. I'm sure England would have had a few doubts after what happened in New Zealand and, in particular, in Zimbabwe, but the one-day series will have given them a great deal of confidence. We expected to win, there's no doubt about that."

I mentioned that one or two former Australian Test cricketers had suggested that complacency had crept into the side. "That's garbage," Waugh replied. "There's no easy game any more, especially away from home. Even in the last two tours against England, where the results say that we won fairly easily, we always knew that they possessed talented players. We just didn't play well, and England were the better team."

The funny thing is that when he talks it soon becomes clear that he is bothered only because he dislikes losing, and not because he has any fears about Australia's eventual success this summer. While we English seem to be whooping with delight at the unexpected turnaround of fortunes, the Australians, epitomised by Steve Waugh, seem to be hiding their time, and making mental notes which they intend to answer back in clinical fashion.

"Believe me, the last thing we're doing is panicking," he said, warming to the theme. "We've had a bit of

**Steve Waugh does not want to succeed Mark Taylor this summer. He tells Ian Stafford why**

work to do, sure, but we didn't want to peak too soon in the season. I know that I'm beginning to hit the ball well, and Glenn McGrath was telling me last night that he was just beginning to find his rhythm."

And Shane Warne? Despite his seven-wicket haul in the Derbyshire match, he did not exactly look like the most feared bowler in the world during the Texaco series, did he? Waugh smiled. "Let's hope everyone's thinking that when the first Test starts. It wouldn't be a smart move. It will be nice to see him rip a ball through during his first over, and then see the faces in the England dressing-room."

So, in other words, the Australians can live with losing the Texaco because they have every intention of taking the first series? "Well, we'd rather be in England's position, because they have a trophy and money in the bank, but we'll do something about it. They played well, and their younger players don't have too many scars or carry any excess baggage. But I think they'll discover Test match cricket to be a different ball game. We'll be testing them out to see what kind of characters they've got."

"We're the best team in the world, after all, and we've won many a series after losing the one-day games. I fully expect us to go out there and win. In fact, we've already talked as a team about the one-day defeats serving as a favour to us. The killer instinct and aggressiveness just wasn't there but, as a result, it definitely will be for the first Test. We'll be fired up and we'll play a lot harder."

Definitely no pleasantries on the pitch, then? "No way," he replied immediately. "Look, after we lost the third international at Lord's we all went into the England dressing room, congratulated them, and had a beer. That's fine. That's how the spirit should be. But when we're playing in the Test series, we won't be going out there to be friendly. We're going out there to win. It was like that when Allan Border was in charge, and you won't see any difference this time. I wouldn't enjoy it any other way."

If there is one place Waugh does enjoy his cricket, then it is in England. Now on his third tour here, the New South Wales batsman-cum-bowler plundered the hapless English bowlers throughout the 1989 and 1993 tours. "That 1989 tour was the turning-point in my career," he admitted. "I hadn't scored a century in my first 26 Tests, and I knew my place was in jeopardy." Since then he has scored 12 Test centuries, and has a Test average of over 50 which has, to date, spanned 89 Tests and an incredible 221 one-day internationals.

Yet he has never actually captained Australia in a Test match. Well, not up to now. The smart money is still on Waugh taking over from Mark Taylor some time this summer, unless the present captain can somehow rid himself of the wretched form that has dogged him for the past year. This, one assumes, causes a slight moral dilemma for Waugh. On the one hand, it can't be good for the team if their captain bows out due to an inability to score any runs. On the other hand, it would open the door for the man who was 32 years old on Monday.

Waugh, incidentally, is growing friendlier by the minute. He takes this thorny subject like a friendly long hop. "If I never captain the Australian Test side I'll never lose any sleep over it, mate," is his reply. "I always dreamed of playing for Australia, but I was never bothered about becoming captain."

"If it happens then, great, it would be a tremendous honour. Life would go on if we lost

Mark, or me for that matter. After all, we've carried on winning after Border, haven't we? But the truth is that I want to see Mark Taylor captain the side for all six Test matches. Do you wanna know why?"

I nod my head. "Well, it's not because I see him as my captain, but as my colleague and friend. I've known him a long time, and I don't like to see anyone struggle. We've all been there, and we all know how hard it is. You've got to remember, though, that Mark's scored 14 Test centuries, and that's no mean feat."

So, a compassionate side of Steve Waugh rears its head over breakfast. It turns out there's a lot more where this comes from. This is his first tour as a father. Back home outside Sydney, he has a 10-month-old baby daughter. "I swear he looks all awful as he talks about this."

"It's hard for me on tour because I miss her a lot," he owned up. "I've got to come to terms with being away from her. I tend to shut it out for a couple of days, and then go and look at my photo albums for an hour or two. Albums? "Yeah, well, I've brought around 150 photos of her. Then I'll call home, talk to the baby, and try to get it out of the way in one, big bit. After that I can focus on my cricket again for a few more days."

His other passion is the writing of yet another of his tour diaries, which will be published later in the year. Tell him he's a useless batsman and you might get a black look but suggest, as one writer recently did, that he employs someone else to write his beloved diaries, and Waugh explodes.

"You can do me a favour, mate," he says. "I'm meaning to catch up with the person who wrote that for a little chat. The truth is that every word is written by me, and I take great pride in doing them. I write every single night on tour, and I take my own photographs."

So it's important to you, then? "Yeah, of course. I'm a lot different off the field than I am on. People think I never smile or enjoy life, but it's my job, and if I don't knuckle down and do it to the best of my ability, it won't be my job for long. But the books have been good for me, because it's helped to change one or two perceptions about me and the team."

What, then, did he write about on the night after the Australians' third successive one-day defeat? "I referred to the game, its turning points, my own performance, and the Lord's lunch." The Lord's lunch? "Yeah, well it was an absolute feast. I can understand why Mike Gatting's played for Middlesex for so long."

Anyway, there must have been 400 plates of fantastic food spread out for us to eat. Do you wanna know what Shane Warne had? "Go on. He got himself a roll with some hutter, and filled it with HP sauce. There was all that food to choose from, and he had an HP sauce roll."

Now Waugh is laughing, hardly acting like a man bothered by recent results against England. The first Test, of course, starts at Edgbaston tomorrow. As the only member of the Australian side ever to lose an Ashes series, when Gatting's men took the honours down under in 1986, Waugh not only sees this first encounter as crucial, he sees the first morning as all-important.

"If you can dominate the first session, the chances are that you will dominate the first day. If you can do that, then you're well on your way to winning the first Test. That would place you in a great position for the series, wouldn't it?"

It certainly would. Waugh made a swift 92 a few days ago at Gloucester, and seems to be finding his groove, which is good news for him and the Aussies, and bad news for us. Oh, and there is one other omen.

He has insisted on keeping one half of a red rag with him at the crease ever since he scored an unbeaten 157 against you've guessed it, the English at Headingley four years ago. Has he still got it?

"For sure mate," he answered, grinning. "But I didn't use it for the one-day internationals. I only use it for Test matches." He nodded his head with conviction. "I'll have it with me at Edgbaston."

## Old pals passing the very best time of day Rouse-hunting season begins

Test Match Special was given its official title for the first time for the series against the West Indies in 1957. Forty years ago, on 30 May, John Arlott, Rex Aldon, Kenneth Abblack, Jim Swanton, Gerry Gomez and Bill Bowes came to the microphones at Edgbaston to describe one of the most remarkable of Test matches.

"Those two pals of mine, Ramadhin and Valentine," Ramadhin said with devastating effect through England's batting in 1950. In the first innings at Edgbaston now, Ramadhin took 7 for 49.

After he had picked up two more early in the second innings, the ghost of Ramadhin was finally laid by Peter May and Colin Cowdrey in a record stand of 411 for the fourth wicket. By the time the match ended the West Indies, who had led by 288 on the first innings, were 72 for 7 and close to an extraordinary defeat.

Tomorrow morning, Christopher Martin-Jenkins, Jonathan Agnew, Fred Trueman, Trevor Bailey, Dennis Lillee, Jeff Thomson, the ubiquitous Bill Frindall and your correspondent will forge their in the commentary box at Edgbaston to describe what one hopes will be a Test match comparable to that first.

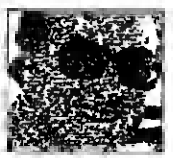
Test Match Special is a highly personal programme, both for

the participants and for the listeners. It is a group of friends, as Brian Johnston used to say, who have come along to enjoy the cricket and the occasion and to talk about it.

It may seem almost a contradiction for me to say that my first appearance as a commentator with TMS, at Old Trafford for the first Test against India in June 1974, was the most frightening experience of my life.

To start with, I simply could not believe that I was about to share a commentary box with John Arlott, Brian Johnston, Jim Swanton and Trevor Bailey. We were joined too by the ever cheerful Maharaja of Baroda as a commentators man, but his presence at the start did little to soothe my nerves.

Somewhat, I survived what began as an ordeal and very quickly turned into sheer



**Henry Blofeld, a member of the Test Match Special team since 1974, looks back over the first 40 years**

unadulterated bliss. I remember that Test match probably better than any other I have commented on, including the Ian Botham-Bob Willis match against Australia at Headingley in 1981 when, on air, I took the last wicket of the match.

First of all at Old Trafford, there was the inimitable Johnners, who, quite unintentionally, left me on the second or third day in a somewhat tricky situation where I felt that my whole career as a commentator was on the line.

Tony Greig was bowling probably to Sunny Gavaskar, and Johnners was at the micro-

phone. "And it's Tony Greig with his gangling run of his who bowls now to Gavaskar. He plays forward and it's picked up by Hendrick at mid-on."

"Now, as Greig walks back to his mark, he polishes the ball on his right thigh. He turns, runs in again, hair flapping, and bowls to Gavaskar. He comes forward and again it's Hendrick who fields. And this time, as he walks back, Greig, to ring the changes, polishes his left ball."

A moment's stunned silence followed by gales of scantly suppressed laughter and much snorting. Johnners was as bad as anyone and all he could do was

hand over to me. I shall never know how I managed to get through the next over with the hysterics going on all around me.

I was not at all sure how I was going to get on in the rain sessions when we continue to chatter. Johnners was presiding over one such on the second day and decided to ring me in. By then, I had thought of one or two things to have a go at and off I went.

For about eight or nine minutes I batted on all by myself. When I had finished, I turned to my right feeling rather pleased with myself and hoping someone else would lend a hand.

To my horror, all the seats were empty and there was a piece of paper on the table on which Johnners had written: "Keep going until 6.30 and don't forget to hand back to the studio." Which was the perfect

way of saying: "Don't forget, you're playing a team game."

Then, there was John Arlott's choice of adjectives. The iron balcony on the first floor of the pavilion bulged out half-way down. The Master said: "And then there's the balcony on the first floor of the pavilion with its portly iron railing." Portly was brilliant and said it all.

There was the fun and laughter too. An early initiation into the rites of chocolate cakes, a chance to appreciate Arlott's love of claret and Trevor Bailey's devastating one-liners: "An ordinary county seamer" or "Can't play".

It was the start of something which for me has simply grown better and better and more and more fun over the years. And long may the BBC continue to find a home for us on the ever more crowded airwaves.

And finally, why the red hussies, the pigeons, and the aeroplanes? In 1969 in Broadcasting House, Henry Riddell, the deputy head of Outside Broadcast, told me: "It is your job to describe the picture. You must concentrate on the centre, which is the cricket, but make sure the picture is complete and don't forget the frame."

And they're all part of a day at the cricket too.

**JON CULLEY**

If the future of Mark Taylor rides on what happens when the first Test begins tomorrow, he will not be the only man at Edgbaston feeling under pressure. Under almost as much scrutiny as the Australian captain's performance will be that of the Warwickshire groundsman, Steve Rouse.

Two years ago, after the West Indian fast bowlers crushed England inside three days on a pitch that could have been prepared expressly for them, Rouse was subjected to a barrage of criticism, the intensity of which might have been duplicated after last summer's abbreviated Test against India, which ended on the fourth day, had England not won.

It has brought the Birmingham ground's immediate future as a Test venue into question and Rouse knows that if he fails to deliver a satisfactory surface this time his job could be on the line. The problem for Rouse is that he is working for more than one master, and what is satisfactory for one is not necessarily so for the other.

The England team would love to bowl the Aussies out in three days. They would like nothing better than for me to leave a bit more grass on and as much pace as we can get," he said. "But the ECB want it to go the distance and there is no way we can afford to have it over by Saturday."

After looking at Rouse's handiwork yesterday morning, England's selectors decided to omit Middlesex's Phil Tufnell, who played in all five Tests in

Zimbabwe and New Zealand, from Thursday's 12, happy that one spinner would be enough.

"Nobody wants to be under 12 months of pressure with the ECB saying that if you don't get it right you're on your own," Rouse said. "You don't like to show it but the criticism hurt quite a bit and the only way to prove people wrong is to produce a good one."

"This is renowned as a swinging ground and if there is a bit of juice in the pitch the ball may well dart around a bit on the first morning. But I think there'll be something for the batter as well as the bowler. We all want to win the match, but not by cheating."

The Australians, meanwhile, beginning to understand the climate in which England normally find themselves on tour, concentrated on rebutting the latest volley from behind their own lines. The former captain, Ian Chappell, branded the current Australian selectors "the worst in my time" and accused them of picking the side "in the best interests of Mark Taylor rather than the whole team."

However, the current vice-captain, Steve Waugh, confirmed that there was no question of Taylor stepping down. "He is in the side and that's that. We have announced it so that there will not be 3,000 more people asking the question."

The former Warwickshire all-rounder Paul Smith has been banned for 22 months for taking drugs, including cocaine. He will still be allowed to play for Berkshire in Warwickshire league cricket, but has abandoned plans to play Minor Counties cricket for Shropshire.

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644.5p, 645.5p, 646.5p, 647.5p, 648.5p, 649.5p, 650.5p, 651.5p, 652.5p, 653.5p, 654.5p, 655.5p, 656.5p, 657.5p, 658.5p, 659.5p, 660.5p, 661.5p, 662.5







**Waugh of words**  
Steve Waugh talks to  
Ian Stafford, page 30

# sport

**Old pals act**  
Henry Blofeld on 40 years of  
Test Match Special, page 30

## Spurs rocked by Sheringham transfer move

### Football

GLENN MOORE  
reports from Nantes

Teddy Sheringham's festering discontent with Tottenham Hotspur has been brought to a head by what he sees as Alan Sugar's peremptory treatment of his contract negotiations, the England striker claimed yesterday.

According to Sheringham, Sugar, the Tottenham chairman, offered him a new deal last month, then withdrew it after 48 hours. Sheringham's subsequent transfer request, which he confirmed yesterday, will spark an intense chase for his services.

Sheringham said that Sugar had made no subsequent attempt to persuade him to see out the remaining two years of his contract. "From what I can make out the chairman has said that I can leave," Sheringham said. "I've had a letter read out to me by his secretary and it says that if the right offer comes along I will be allowed to leave."

Sheringham, who is here with the England squad, claimed he was "left with no alternative". He went on: "I have done what I had to do. I'm still thinking about the contract when it was withdrawn. Alan Sugar told me later that was his custom but he did not tell me I had 48 hours at the time. Since it was in the build-up to England's game with South Africa, I would not have thought that was right anyway." Sugar could not be reached yesterday to give his side of the story.

Sheringham admitted that there were "quite a few reasons" for his decision. "I have been thinking about it for a long time. It feels the right time for me to have a new challenge. I have been disappointed that we have not been challenging for honours," he added. Sheringham who has yet to win a domestic honour.

"That was a big factor in the decision. At the end of a career you want to look back on medals and the memories of how you won them. We have been close with Tottenham, but that is not good enough. There are times when we have looked good, but then fallen away. Top players want to play at the top level."

By that, Sheringham means European football, either with a Premiership side, or one from the Continent. "I will contemplate anything, I like to think there will be a lot of interest," he said.

Glenn Hoddle, the England coach, thought there would be "a lot of interest in England and abroad," Hoddle said. "He is a clever, thoughtful player. You can explain anything to him and he will go out on the pitch and emulate it. That's an art."

"His training and approach to the game is impeccable. His warm-ups and warm-downs, his stretching, everything. He is a true professional. He even wins at the table tennis and golf."

"He is of an age when the penny has dropped and he realises these things are important. He also has a strong character. He is someone who can still

make the difference in a game which he had not started well."

Obvious candidates from the Premiership are Liverpool, Manchester United and Newcastle. Liverpool, having just sold Stan Collymore, have the finance, but the interest of their manager, Roy Evans is not shared by the Liverpool board, who are worried by Sheringham's age. Manchester United could see the 31-year-old Sheringham as the ideal short-term replacement for Eric Cantona, while Newcastle have already been linked with him. They could recreate the potent international partnership of Sheringham and Alan Shearer with Les Ferdinand returning to the tutelage of Gerry Francis, his former manager at Queen's Park Rangers, as part of the bargain.

Foreign clubs will also be interested with *Le Journal de France*, which England are presently engaged in, a timely shop window. Among those clubs taking an interest will be Internazionale, whose ranks currently include Sheringham's England team-mate, Paul Ince. When informed of Sheringham's decision by the press, Ince immediately said he would be contacting the Inter president, Massimo Moratti, to suggest he took an interest. "He is one of those players who could go to Italy and do well," said Ince, who added that he was still to determine his own future.

Manchester United will complete their pre-season preparations with a home game against the Czech side, Slavia Prague, on Wednesday 6 August as part of the deal which brought Karel Poborsky to Old Trafford.

Martin O'Neill, the Leicester manager, is set to sign a new contract that will keep him at Filbert Street until the year 2000.

Brighton and Hove Albion look set to start next season playing their home games at Gillingham. The Third Division club's board of directors have ruled out a move to Hove Greyhound Stadium because there is not enough time to bring it up to Football League standard by obtaining planning permission and improving the pitch.

Roberto Mancini has ended his 15-year career with Sampdoria after agreeing a three-year contract with Lazio. The Genoa club have replaced their 32-year-old striker with Jürgen Klinsmann, who signed a one-year contract yesterday.

Sugar bows out at Amstrad, page 24

## Blooming Stoichkov

Bulgaria's volatile striker Hristo Stoichkov brought new meaning to the phrase "say it with flowers" as he ended a dispute with the national team's head coach.

Stoichkov, who pulled out of the side last year, is now expected to rejoin the national side, a senior official said yesterday.

Stoichkov, who plays for Bobby Robson at Barcelona, met with Bulgaria's head coach, Hristo Bonev, in their home town of Plovdiv after his arrival from Spain on Monday. Mihail Kasabov, the first vice-president of the Bulgarian Football Union said.

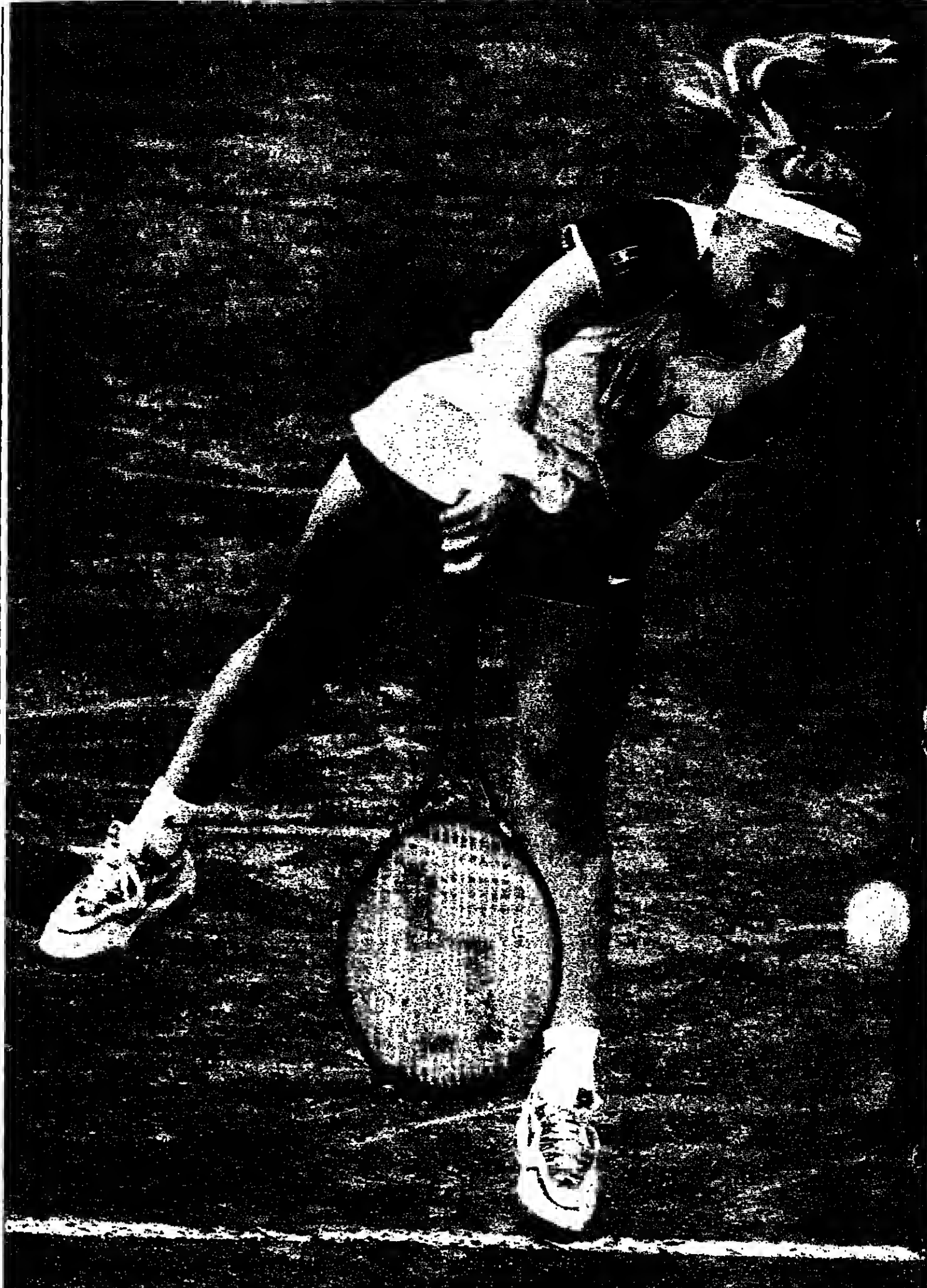
"Bonev just told me that Stoichkov unexpectedly rang the bell of his house yesterday carrying a bunch of flowers and apologised for the offensive

words quoted by the local media, a big part of them having been exaggerated," Kasabov said.

Stoichkov was expected to meet up with the squad yesterday evening in the Black Sea port of Bourgas, where they play a World Cup European Group Five qualifier against Luxembourg on 8 June.

However, it is not certain whether he will play, as Bonev has yet to decide whether to include Stoichkov against Luxembourg, as he has not heeded his plans so far.

Stoichkov, who played a major role as Bulgaria became World Cup semi-finalists for the first time in 1994, quit the team last year after demanding the resignation of football officials who sacked the former national coach, Dimitar Penev.



Amanda Coetzer powers her way past Steffi Graf to reach the semi-final of the French Open yesterday

Photograph: Jacky Naegelen/Reuters

## 'Nervous' Graf tripped up again by Coetzer

### Tennis

JOHN ROBERTS  
reports from Roland Garros

An eccentric French Open has grown even curiously. The defending singles champions, Yevgeny Kafelnikov and Steffi Graf, *sont mis à la porte*, and Dewulf is at the door.

Kafelnikov was caught and overtaken in five sets by the Brazilian Gustavo Kuerten, a blur in blue and yellow, who will now be challenged for a place in Sunday's final by Filip Dewulf, a Belgian qualifier.

Graf was so upset that she did not attend last night's ITF world champions' dinner. For Graf, it was a case of *déjà vu*. Having lost to Amanda Coetzer in the fourth round of the Australian Open in January and suffered her worst defeat ever (0-6, 1-6) against the diminutive South African in Berlin only weeks ago, the German anticipated difficulties in the quarter-finals yesterday. Few observers, however, expected the champion to contribute so generously to her own downfall.

Graf's loss, coupled with Monica Seles's win against the American Mary Joe Fernandez, 3-6, 6-2, 7-5, will relegate the German to No 3 in the world behind Martina Hingis and Seles next Monday. It will be Graf's lowest position for 10 years.

Hingis, the top seed, defeated Arantxa Sanchez Vicario, 6-2, 6-2, and plays Seles in the semi-finals. Coetzer plays Iva Majoli, the Croatian ninth seed who beat Ruxandra Dragomir, of Romania, 6-3, 5-7, 6-2. Some of the names left in the tournament may hardly ring a bell in their

own parish, but Filip Dewulf now stands alongside John McEnroe in tennis history.

The 25-year-old from Leopoldsdorf, ranked No 122 in the world, is one of only three men to have come through the qualifiers to reach the semi-finals of a Grand Slam Championship. He shares the distinction with McEnroe (Wimbledon) and Bob Giltinan (Australian Open), both of whom achieved the feat in 1977.

Neither McEnroe nor Giltinan managed to advance to the respective finals 20 years ago, and Dewulf may be hard put to deny Kuerten, who recovered from 1-2 in sets to defeated the third-seeded Kafelnikov, 6-2, 5-7, 2-6, 6-0, 6-4.

The result left Sergi Bruguera (No 16) as the last remaining seed in the men's draw. The Spaniard, twice a former champion, plays Hicham Arazi, of Morocco, in the quarter-finals today.

Dewulf, playing his eighth match since arriving for the pre-qualifying event, defeated Sweden's Magnus Norman - who eliminated Andre Seixas, the world No 1 in the third round - 6-2, 6-7, 6-4, 6-3. The last man from Belgium to reach the last eight of a Grand Slam singles was Jacky Brichant, who lost to Mervyn Rose here in Paris in 1958.

Graf has been accustomed to setting standards, having won 21 Grand Slam singles titles since last losing in the quarter-finals here in 1986, when she was defeated by Hana Mandlikova.

Yesterday's performance against Coetzer filled the 27-year-old Graf with foreboding. With only three weeks remaining before she is due to defend

her Wimbledon title, she spoke at length about a crisis of confidence which has grown since her three-month absence because of a knee injury.

Her concern is hardly surprising, since Graf was officially debilitated with 64 unforced errors, although seven of that number had more to do with Coetzer's unrelenting competitiveness.

"It was a terrible match," Graf said. "I was really nervous starting off. I was very unsure of my shots, and I didn't seem to find the reach or the patience at all. It's just the state I'm in at the moment. I don't seem to have any self-confidence."

Not even a 45-minute rain delay, when Coetzer was leading 3-1 in the second set, revived Graf's spirits. "Even during the break I did not find a positive attitude," she said.

"I've been struggling a little bit in every match that I've played, but I usually manage to change it around. Today I couldn't. I got too frustrated. Amanda is playing well. That's obviously a factor, too. She's so steady and doesn't make mistakes."

Asked if she had experienced similar periods of uncertainty previously, Graf said: "Quite a few times, yes. I think in any career you go through stages. It's going to take another while to get [my confidence] back."

Did she think it would return in time for Wimbledon? "I'll work on it. It's good that I have a break now. I'll take some time off and probably not play for a couple of days, but work more on my fitness and see how it goes then. I think if I'm fit and ready, I'm going to be fine."

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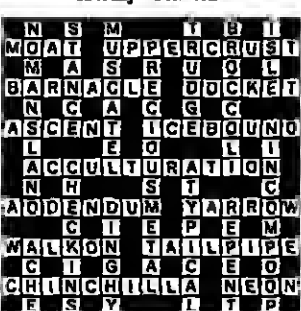
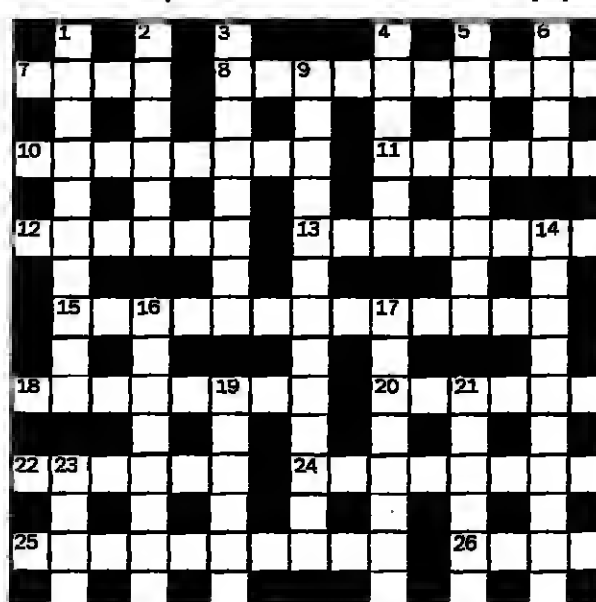
**ALLIANCE  
LEICESTER**

## THE INDEPENDENT CROSSWORD

No. 3316, Wednesday 4 June

By Aquila

Tuesday's Solution



### ACROSS

- Siamese once out of breath, ailing? (4)
- Complete change of policy almost sure to go wrong (10)
- Products derived incidentally from cricket-side in drives (4-4)
- One who needs energy to travel over snow to reach doctor? (6)
- Army personnel selected for a bit of painting (6)
- Paper one in France, for example (8)
- P-pipes (5-8)
- Haydn's creation given capital? (8)

### DOWN

- This Englishman, said Napoleon, hops about on guard (10)
- Queen, the fourth to put up in Austrian province (6)
- Effectively leave no crumbs? (8)
- How passionate of Abelard, entwining? (6)

### 5 Firm's resources shown

- in stock catalogue (8)
- Victoria, for example, almost chubby (4)
- Antisocial sort's mini shorts, apt to go astray (13)
- Shady hut is promising, given this new start (10)
- Hazel's colour, now burnt badly (3-5)
- Snag gown, unfortunately, in the last act (4-4)
- River mammal some call a rat (6)
- Nomad, upright type carrying unknown quantity, (6)
- First-class rail jolly? (4)

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